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# ANGLO-AMERICAN PITFALLS

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IF the Declaration of the Atlantic, signed by the President of the United States and by the Prime Minister of the United Kingdom and released to the world on August 14, 1941, is taken merely as a restatement of the democratic faith in international relationships, nine-tenths of its significance will be lost. The ideas are not particularly new nor is the language unduly inspired. Its true significance lies in the identity of the signatories and in the place where it was signed. The Declaration marks, in effect, the assumption by the two great English-speaking democracies of the leadership of the free world. It serves notice that, when the victory has been won, the ideas that will be dominant in the world will be the faiths and the aspirations and the doctrines that are common to Britain and America. The fact that its only date line is "The Atlantic Ocean" is as significant as the signatories. Nothing could have more dramatically demonstrated the change that has come over the rôle of the Atlantic in the popular thinking of both countries. The ocean is no longer a barrier, a moat, a gap in space. It is a highway, a meeting-place, a common avenue of approach. Implicit in every line of the Declaration is the proclamation that hope for the world's future — the only hope — lies in the continued collaboration of the Oceanic Commonwealth of Free Nations.

To the overwhelming majority of Englishmen, and to very many thousands of Americans, this recognition by both nations of their common needs and common responsibilities is the great good that is coming out of the evil of the war, just as for their fathers (and the thought is a warning) the League of Nations was the offset that could be made against the misery of the last war. It is an inspiring picture — two great nations, each satisfied with what it has got, and therefore devoid of any aggressive intention,

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joining together to police the world on behalf of their joint ideals of personal freedom, social security, and liberated commerce. To adopt this as a deliberate policy, as the heads of the two Governments have now done, has required, or will require, very substantial changes in the ideas that have prevailed and in the attitudes that have been adopted hitherto. Nor are these changes required on the American side alone. It is true that the American people, if they are to sail this new course, will have to modify or abandon two of their hitherto most cherished beliefs — the first that they need not concern themselves with what goes on beyond the oceans, and the second, that there is a natural and historical antipathy between American and British interests. But the British people too will have to change both their beliefs and their policies. Britain, it is true, has always been a naval power, but her diplomacy has nevertheless always looked inwards to Europe. With the sole exception of 1870, there has not been for centuries past a European crisis without Britain's participation from the start as one of the protagonists. Indeed, Great Britain has usually been the organizer of whatever Grand Alliance is current. If Britain's policy is now to be based on her membership of an Oceanic Commonwealth, she will not find it so easy (and perhaps not so necessary) to form her European coalitions. This is a point of view which the British Dominions have always expressed; it now receives enormously stronger backing. The shifts in traditional policies will thus need to be as great in the one country as in the other. In the psychological field, it is in Britain that the adjustment to the new policy will probably be found most difficult. If the American people have to learn the responsibilities of their strength, the British people have to learn the limitations of their weakness — and there can be little doubt which of the two is the more painful adjustment to make.

The goal of the Oceanic Commonwealth is thus not one that can be reached overnight, by a single avowal of policy. On both sides of the Atlantic it will require changes of course and changes of mind. It will have to thread its way through the narrow channel between pride and prejudice. It will come up against suspicion and opposition at every turn. For the moment, the two countries are being brought together by the immense pressure of an urgent common danger. But even at such a time dramatic conversion by the blinding light of sudden inspiration is not to be expected. Neither country, it is true, can simply slip back to its pre-1939

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position. The lessons of the war will not be entirely forgotten. To America, it has brought the clearest demonstration of the need for taking sides in other nations' wars. To Britain it has taught the completeness of her dependence on American support. To both, in other words, it has proved the need for coöperation. But for this lesson to be embodied in a practical policy and for the policy to be maintained in periods of lesser stress and cooler emotion requires a long period of reëducation in each country.

In this process of reëducation two things will be essential. The first is never to lose from sight the high ideal of complete unity, or to forget the necessity for mutual assistance which each country has freely acknowledged in the time of peril. The second is to remember that sentiments of friendship and pledges of loyalty are not enough. Britain is a commonwealth of nations, the chief of them a small, crowded and dangerously exposed island, the others large, young, sparsely populated dominions. The United States is a rich, strong, populous and increasingly compact subcontinent. With these differences in circumstance, it is inevitable that there should be differences in opinion, in desires, in policies. The second requirement, then, is not to pretend that there are, and can be, no differences between Britain and America, but to see the differences coming, to be prepared for them, to understand them, and to find means of resolving them without disturbance to the main current of friendship.

The present article is intended to be a small contribution, from the British side, to this second requirement. It is not that the desirability of Anglo-American unity can be taken for granted — on the contrary, it is an ideal which will require sacrifice and devotion to achieve. It is not that any pessimism need be felt about the possibility of achieving it — on the contrary, it is the chief hope and stand-by of many hundreds of thousands of men and women who might otherwise despair. But these hopes and ambitions are being preached, with wholly admirable zeal, by several groups of skilled advocates and need no added emphasis here. Not enough attention, however, is being paid to the obstacles that will have to be overcome. Most of the future causes of difference, of course, are invisible to us now. But there are some others, arising directly and inevitably out of the different circumstances of the two nations, which are already clearly visible. It will be a service to the high cause of the coöperation and perhaps

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even the eventual union of the British and American peoples to give these differences a preliminary examination, so that by the time they reach the critical stage they will be familiar and fully understood. They exist both in the political and in the economic field, and each in turn deserves a brief analysis.

II

It is clearly impossible, in a few paragraphs, to cover the whole vast field of the future organization of the world. But the nature of the Anglo-American problem can be adequately illustrated by the central problem of the political field — the problem of deciding what to do about Germany when the victory has been won.

There are, broadly speaking, two kinds of peace that could be made with a defeated Germany. There would be the kind of peace which took as a basic assumption that the German people are fundamentally peace-loving, that having got rid of Hitler and the Nazis they will not make the same mistake again but will settle down as members in good standing of the community of peaceful and liberty-loving nations. For purposes of identification, we can call this the optimistic solution. The other type of peace would be one that refused to take the risk of the German people breaking out again under some third aggressive despot, but determined to keep arms out of their hands at least for a generation or two. This is what might be called the realistic solution. It would impose limitations on the actions of Germany, which the democratic victors would not accept for themselves; on the contrary, they would retain a margin of strength decisive enough to repress all infractions of the treaty by Germany.

It is not relevant here to argue which of these approaches would be the right one. But it is vitally important that those who write the treaty should be very clear in their minds which of the two they propose to follow. Versailles is a fearful warning of what happens when the attempt is made to mix the two, and when the chief supporters of the treaty have differing interpretations of it. These contradictions in the treaty would probably have been enough in themselves to bring the Versailles system to disaster; but they were aggravated by the divergent policies of France and Great Britain in the post-treaty period. French policy tried to make Germany *unable* to attack again; British policy tried, less effectively, to make Germany *unwilling* to attack again. But as neither had a free hand, neither succeeded. Germany, under the

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leadership of Hitler, became both willing and able to start another World War.

After the present war, then, it is essential that the two countries which will have to make and maintain the peace, Britain and the United States, should make their choice clearly and stick to it. Which is it to be? The last of the Roosevelt-Churchill Eight Points made it clear that it is to be a realistic peace. This does not, of course, mean that it is to be a severe or repressive peace. But we have been told that the aggressors are to be disarmed at once, while the disarmament of the victors awaits some future day when all nations abandon the use of force and "a wider and permanent system of general security" is established.

There can be little doubt that this accords with the views of the British Government and the British people. Mr. Eden has spoken more than once of the necessity of making it impossible for Germany (or the Nazis) to start another aggressive war. Mr. Bevin, speaking for the Left, has confessed to having "talked the pacifist palaver" in the past; but he has changed his mind and now says that he will call for the permanent maintenance by Great Britain of a substantial and well-equipped army. These two expressions of opinion are in line with the views of the British people, as expressed in almost all their organs of opinion. "There is not to be a savage peace treaty; there are to be no annexations, no indemnities, no economic disabilities for Germany. But to leave arms in the hands of a people who have repeatedly shown themselves either so belligerent or so gullible, or both at once, as the Germans have done would be madness. The Germans are to be forbidden tanks, aircraft or warships, while Britain and America retain enough of each to make sure that they can police the world. Then if, in a generation or two, the German people give convincing proof of their regeneration, we can all disarm." Such would be a fair representation of the majority opinion of the British people today.

Is it the majority opinion of the American people? Will it be, if the United States is drawn into actual belligerency? It is difficult for a visitor to the United States, even after careful inquiry in several different regions, to determine the answer. There is a greater tendency in America than in England to draw a distinction between the Nazis and the German people. The distinction is drawn in England, of course, but not to the extent of believing that Germany, on the morrow of the flight of the Nazis, could be

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trusted as an equal member of the community of nations — or at least as an equally armed one. Great emphasis is laid in America on the necessity for a "just" peace — the phrase has been on Mr. Willkie's lips, with a reference to the injustice of Versailles. "Justice" as between nations apparently means, in most connotations, equality of treatment. Would a peace which imposed unilateral disarmament on Germany, but no other disabilities, be considered "just"? These questions are hard to answer. On the whole, however, the guess may be made that the American people, at the time the peace treaty is drafted, will be ready to approve the imposition of restraints on Germany's freedom to rearm. Mr. Roosevelt has proved himself a very accurate prophet and interpreter of the American people's wishes, and he would hardly have committed himself to this Eighth Point unless he felt confident of being able to secure agreement to it.

To write the treaty in this way, however, is one thing, to enforce it is another. And such a treaty would require enforcement. Whatever care were taken to nurse Germany's susceptibilities in other directions, it is only too probable that arms inequality would be felt as a grievance by a people with such a proud military tradition. Germany cannot be expected voluntarily to accept these restrictions, or to observe them unless she is compelled to. A treaty of this sort, however generous it may be in all its other clauses, would require a large corps of inspectors, constant vigilance against infractions, and the maintenance by the victors both of the ability and of the readiness to march in at once if the treaty were broken.

This is, of course, the catch about the whole "realistic" policy, for democracies do not remain vigilant, they are not willing to maintain expensive forces just in case there is trouble, and they are not easily persuaded to take any action — least of all marching in where there may be shooting to do — until the danger has grown to overwhelmingly threatening proportions. The "realistic" policy, if it is to be successful, involves warning a new Hitler, when he arises, that he will be deposed if he rearms. It would have involved marching into Germany when conscription was decreed in 1935 or, at the very latest, when the Rhineland was reoccupied in March 1936. Now it may be that the British people have had such a bad scare since May 1940 that they will have the resolution and clear sight not merely to disarm Germany but to keep her disarmed. The menace of a vengeful Germany and of a Third

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German War will be near enough and clear enough, and after the events of 1940 it will be impossible for any Englishman to believe that anybody else will do the job of holding Germany in check for him. We are not justified in feeling any *certainty* that the British people will be willing, in 1955 or 1965, under the leadership of some new Baldwin, to enforce the peace they have written. But there is a chance.

What of the American people? To them the menace will appear much more distant, much less clear. To many of them it will seem to have vanished with the death or flight of Hitler. Public comment on the Eight Points has made it clear that the "optimistic" line of thought, as defined above, has many adherents in the United States; and if this is the case when the Nazi-German menace is so urgent and frightening, how much more so will it be when the Nazis have fled and Europe has been living at peace for several years? If there is widespread willingness in America now, in the middle of the war, to prescribe universal disarmament as the formula for peace, will it not be armed Britain, rather than arms-minded but disarmed Germany, that will incur American censure after a decade of peace? There is no reason to suppose that this reaction will go so far as to lead the American people to disown a treaty they will have helped to write. But will they assist Britain to enforce it? There will be no escape from the dilemma by saying that it is not America's concern. Britain will insist that the war of 1939 turned out to be very much America's concern and that consequently anything that is done to prevent its recurrence falls in the same category. Moreover, the whole policy is likely to rest on American support, for the British people may not be willing to run the risk of incurring the permanent hostility of a people twice as numerous as themselves unless they are assured of help in the hour of trouble.

It should be repeated, once again, that no assertion is being made here that what has been called the "realistic" policy is more right, or more likely to be effective, than what has been called the "optimistic" policy. But it is argued that either one is likely to be more effective than a mixture or alternation of the two. Germany must be made either unable or unwilling to start another war. To begin with the realistic policy and give her a grievance, and then, when enforcement becomes necessary, to switch to the optimistic policy (it would be "appeasement" by that time) would be the surest way of ensuring the outbreak of another war.

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The choice of the realistic policy has not been made by the present writer; it is the choice of Mr. Roosevelt and Mr. Churchill. The only plea made here is for consistency and resolution in carrying it out.

Perhaps the picture has been painted in too sombre colors. Possibly both peoples will have learnt a lesson from this war before it is over and that both will exhibit the "clear thinking and courage" so signally lacking in the democracies in recent years. Perhaps the treaty can be drawn in such a way as to increase its appeal to the American people. For example, it could be left to an international body, not to Great Britain alone, to determine whether Germany had broken the treaty, and the policing force, though its backbone must necessarily be either British or British-American, could similarly be international in form. But when all these adjustments have been made, the question will still remain: will the United States be prepared in time of peace to use force, or at least to assist the use of force by others, to enforce a treaty? It can hardly be expected that the two countries should see eye to eye in a matter of this sort. Great Britain has felt the weight of the bombers, it has been brought close to starvation. It is a small island, virtually part of the European Continent, close to a disciplined, skilled and intelligent people who outnumber the British by almost two to one. Naturally, it will be more fearful, more vigilant, less able to comfort itself with easy optimism than a vast sub-continent, three thousand miles from trouble, almost self-sufficient, with a secure margin of population and industrial power and confident in the belief that there will always be time to do something about it later on.

Neither attitude can be put down to defects in the national character, other than the common defect of being a democracy. The Americans, if they were reduced to a third their present size and transferred to the British Isles, would almost certainly react as the British do. The British, in the days when their position in the world was similar to that which the United States now has, certainly pursued a not dissimilar policy. It would, therefore, be just as foolish to think that the differences in view are due to differences in moral rectitude as to believe that they can be removed by argument. It will have to be taken for granted that the two nations view things differently and they will have to learn how to serve the common ideal of collaboration while retaining their differences.

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III

In the political field which we have just been discussing, the British view, for all its vagueness and incompleteness, is nearer to precision than the American. In this field, it will probably be Britain that seeks American concurrence in her proposals. But in the economic field the reverse is true. The views of the American Government have been clearly and precisely formulated — for example, in the memorandum presented by Mr. Sumner Welles to the French Government during his visit to Paris early in 1940. America believes in the so-called "liberal" foreign trade policy — that is, in free exchanges and in the gradual reduction of customs tariffs; she dislikes all preferential arrangements that give one country advantages over others. In a peculiar sense, Mr. Cordell Hull has made these beliefs his own; still it is true to say that "America" believes in them, as any British visitor to the United States will discover. The general opinion does not perhaps embrace all the details of Mr. Hull's views. It certainly does not go so far as to advocate, or believe possible, a general downward revision of the American tariff. But there is no doubt that American opinion is set hard against all forms of exchange control and against all, or nearly all, forms of preferential arrangements. Nor is this merely the fashionable opinion of the moment; it is in direct accordance with the interests of the United States.

British opinion on these two points is less clearly formed. Until the outbreak of the war, the British Government looked on exchange control with a disapproval as strong as the American; but since the outbreak of the war, exchange control has been found necessary in Great Britain, and there are many in London who are impressed by the advantages of the system. As for preferential agreements, the Ottawa system is perhaps the outstanding example; but in more recent years, there has been a movement away from the narrower conceptions of imperial preference — a movement which led to the American-British-Canadian Trade Agreements of November 1938. In this economic field, then, it is American ideas that are likely to take the initiative, and it is already apparent that it is in this direction that British concessions will be looked for. When Senator Gillette criticizes the absence in the Eight Points of any "British concessions in the cause of peace" presumably this is what he means.

If it were merely a question of changing minds or adjusting

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ideas, there can be no doubt that British opinion would be anxious to comply. After all, it is less than ten years since the United Kingdom was a Free Trade country and there is still not another country in the world whose interest in the maintenance and increase of world trade is more close or profound. In any foreseeable time, Great Britain will continue to import half of her food and more than half of her raw materials, and will require open world markets to enable her to pay for them.

Unfortunately, however, this is not the end of the matter. Certain hard facts about the postwar situation are likely to impose severe limits on Britain's freedom of action. Let us take, for example, the matter of exchange control. It is already apparent that the United States dollar is likely to be a very scarce commodity throughout the sterling area. Various attempts have been made in recent years to construct a Balance of Payments between the two countries, and though the published results have never been accurate enough to warrant quotation here, the story they have told has been plain enough. Throughout the pre-war decade, the sterling area had difficulty in meeting its dollar commitments. In good years, the current account (that is, merchandise trade and services, but without capital transactions) just about balanced. The raw materials bought by the United States from the British colonies, plus American tourist expenditures in Great Britain and the West Indies, just about wiped out the net balance of exports of goods from the United States to Great Britain. In bad years, the sterling area did not succeed in selling to the United States as much as it bought. And, in most years, there was a steady flow of capital from sterling to dollars. In general, it can be said that the sterling area managed to obtain the dollars it required only by selling to the United States virtually the whole of its current output of gold and part of its accumulated reserves as well.

It is, of course, impossible to predict the circumstances of the postwar period. But they will hardly be more favorable to sterling *vis-à-vis* the dollar than those of the period just described. Great Britain's factories are being bombed (not very extensively, it is true); the British mercantile marine is being sunk; British foreign trade connections are being disrupted; British liquid reserves of gold and investments have been exhausted. It is almost certain that the pound sterling will be weakened and the dollar strengthened by the war, and that the sterling area will have

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even greater difficulty than before the war in obtaining a sufficient supply of dollars. Moreover, there is the factor of possible repayments of Lease-Lend borrowings to be taken into account. It has been suggested more than once in the United States that Britain might make repayment in tin and rubber. In general, it is a just and reasonable suggestion. But it would vastly increase the scarcity of dollars throughout the sterling area.

In the classical theory of the free exchanges a situation of this sort would be corrected by a depreciation of the pound, which would cheapen British goods in America and make American goods dearer in the sterling area. But in this particular case it is questionable whether the remedy would work. British goods do not, in general, sell on price in America. The amounts of tin and rubber that are bought depend on the activity of the automobile industry, not on their prices; indeed, it has been true in the past that more has been sold when the price is high than when it is low. Similarly, the sales of English pottery, Scotch whisky and Irish linen depend more upon the amount of money there is in America than upon their price. On the other hand, many of America's exports to the sterling area, particularly the automobiles and the machinery, are virtual necessities for the maintenance of industry and trade. It would be rash to go so far as to say that there is no rate of exchange between the pound and the dollar that would balance the accounts in a free market. But it might have to be a very severe depreciation, which could hardly be expected to be welcome in either country. Moreover, a severe depreciation might induce a stampede of liquid capital from London to New York and thus defeat its own object.

In these circumstances, it may be difficult for the British authorities to avoid the retention of some form of exchange control. Moreover, it may have to be exchange control specifically against the dollar; it may be that all other currencies will be plentifully available in London and that only the dollar will be scarce and subject to rationing. Obviously, the dangers of recrimination would then be raised to a maximum. But the British action, in the circumstances that have been postulated, would not be due to jealousy of American trade, to imperial exclusiveness or to congenital wickedness. It would be due to the simple truth that commodities in short supply must be rationed — the more so when the previously existing reserves have been exhausted.

What can be done about this difficulty? In the first place, cir-

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cumstances may shape themselves differently. The United States, in its unfailing generosity, may accept recompense for the Lease-Lend goods in some form that does not put a mortgage on the normal flow of British-American trade. The continuance of the gold-buying program may provide an extra source of dollars for the outside world. The tourist traffic may grow to even larger proportions. The level of domestic prosperity in the United States may be so high that American purchases of British goods will be substantially higher than before the war. In general, anything that increases American buying from the sterling area will help to solve the problem. By this means, it might be possible to leave the flow of current trade and services to be settled in a free market, without restrictions, and to confine the exchange control to the movement of capital. If the problem can be reduced to these dimensions, it is certainly soluble, for the American authorities have themselves from time to time called for a curb on the import of "hot money."

Nevertheless there remains a severe risk of dollar shortage which the British Government will not be able to forget. The fact is unpalatable, but it remains a fact, that it will be impossible for the British Government in the post-war era to regard the purchase of goods that have to be paid for in dollars as being exactly on a par with the purchase of goods that can be paid for in sterling or in some other "soft" currency.

Here again is the possibility of much misunderstanding and suspicion. For example, it is frequently suggested in America that the United States should be admitted after the war to the system of imperial preference set up at Ottawa. The suggestion is that this should be done without any preferential rates of duty being accorded to the British countries by the United States — indeed, any other treatment would be a violation of the most-favored-nation principle on which the whole of Mr. Hull's policy is founded. If it were only a matter of affection and gratitude this would undoubtedly be done. There is in England today, and will be after the war, a very strong body of opinion in favor of doing anything that would bring the United States "within the family," and if the suggestion came from America, the anxiety to accept it would be all the stronger. But unfortunately any such suggestion must be examined for the effect it would have on the exchange position. It is, on analysis, a suggestion that American sales in the sterling area should be facilitated, without any

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corresponding opportunities for British sales in the dollar area. In other words, it would increase the requirement of dollars without increasing the supply. If dollars are already scarce, how can such an arrangement be entered into? It is not possible for Great Britain to treat American goods in the same way as goods from the Dominions, for the Dominions (except Canada) will accept payment in sterling (that is, in London funds which the British Government can procure by taxation, by borrowing from its own public, or, in the last analysis, by credit creation), while American goods have to be paid for in dollars, which the British Government has no means of acquiring once its supplies run out. But supposing that the admission of America to the "Ottawa ring" is officially or semi-officially requested (as it may well be), or that some more ambitious plan for a Customs Union is suggested (which is far less likely), and that the proposal is turned down from the British side, will the motives be understood in America? Are they not far more likely, as things stand today, to be ascribed to British selfishness and ingratitude?

The foregoing paragraphs have dealt with the mutual trade of the United States and the British countries. But difficulties are also to be anticipated in dealings with third countries. The commercial and financial agreements between Great Britain and Argentina, for example, have come in for a great deal of criticism in the United States. Some of this criticism, it seems to Englishmen, is based on misconception. The Argentine exchange control was not imposed at Britain's request. Argentina imposed it for her own purposes, and the so-called discrimination arises from the fact that Great Britain, owing to her large purchases of Argentine goods, was in a position to secure a relaxation of the exchange control, while the United States was not. The criticisms also frequently seem to ignore the fact that United States dollars are as scarce in Buenos Aires as they are in London, and that it really is easier for Argentina to buy British goods than American. But when all this is said and done, it remains true that Great Britain has in recent years contracted a number of agreements giving her trade advantages that are not accorded to the United States. This is contrary to the philosophy to which both countries adhered until ten years ago, and to which the American Government still gives its adherence.

Undoubtedly, Britain would be meeting American wishes in abandoning these practices. But can she afford to do so? The

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British argument is that her export trade is vital not merely to her prosperity but to her existence. Without exports to pay for her imports, her people starve and her industries come to a stop. After the war there will be an urgent need to rebuild the export trades. It is no longer possible to believe, as it was in the Free Trade era, that imports automatically produce exports, that if bread is cast upon the waters in the form of purchases from overseas it will return in due season in the form of orders from abroad. All over the world, nations are closing their doors and trying to sell without buying. It is essential for Britain to take whatever steps are within her power to ensure that the outside world will take payment in British goods for British purchases of foreign food and raw materials. To suggest that she should not use these methods is to suggest that she should throw away the only bargaining weapon she possesses.

Here, then, is another source of possible misunderstandings and conflict. There are, of course, possibilities of compromise. It is not in Britain's interest to prejudice American trade, merely to secure favorable treatment for her own goods. And there would presumably be no American objection to an expansion of British trade if it did not reduce American sales. On these lines it may be possible to work out satisfactory compromises in individual cases. But the fundamental divergence remains, precisely because the fundamental circumstances are different. Great Britain has a large import surplus and her currency is usually in fairly plentiful supply in third countries. America has a large export surplus and the dollar is likely to be in general short supply. Both countries are following their national interests. It is reasonable to ask that each should do so with care for the interests of the other. It is unreasonable to accuse either country of stupidity or selfishness because it refuses to adopt the viewpoint of the other.

## IV

It is no part of the intention of this article to reach a pessimistic conclusion. On the contrary, the writer's view is founded on the hope and confidence that the hour has struck for these two great nations, which have so much more than blood and speech in common, to draw much closer to each other. The purpose served by setting out here the differences of opinion which can be anticipated in the immediate future is to prevent them from disturbing

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or reversing the movement towards closer collaboration and friendship. How can this be done? There is room for only a few brief indications here.

The first essential is not to pretend that these differences will not arise or that they can be removed just by good will. Good will can work out solutions acceptable to both countries, but it cannot be expected to remove divergences in viewpoint which, as the foregoing paragraphs have attempted to show, arise out of fundamental differences in circumstances. In this connection, a word of caution is perhaps required about the current fashion of elaborating constitutional machinery for the future union of the democratic peoples. No praise can be too high for the zeal and devotion with which these proposals are advocated and no welcome can be too warm for the support they engender in public opinion for the whole idea of closer unity. But no constitutional machinery for union, however perfect, will work unless the peoples are in the mood to compromise their difficulties — any more than the American Constitution was able to avert the Civil War. It would be as well if some of the energy and skill that go into these schemes could be diverted to the examination of the very real problems that the machinery would have to solve. The League of Nations is a warning of what happens when too much faith is attached to the mere existence of constitutional machinery and too little attention paid to the basic difficulties.

The second prescription should be complete frankness in the discussions of British-American problems. By this is meant something much more than that the publicists should not "pull their punches." That, indeed, is needed, and can be tolerated between two nations with so long a tradition of pointing out each other's weaknesses. What is rather meant is that the two Governments should make it possible for the problems to be discussed in the light of all the relevant information. For example, the whole series of problems arising out of Britain's prospective shortage of dollars could be much more effectively dealt with if the balance sheet of pounds against dollars could be regularly published, with the figures agreed upon between the technicians of both administrations.

A third necessity is constant and unremitting care by all the organs of publicity to keep opinion in both nations fully informed of all matters outstanding between them. There are already plenty of Anglo-American institutions of the glad-handing type.

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Something much more is required. Efforts are made from time to time by official and unofficial British agencies to see that the British viewpoint is presented in the United States, and the circulation of American periodicals and films in the British countries performs a similar office for American opinions. But this, in a sense, is the reverse of what is wanted. Each of the two countries should be anxious, not so much to expand its own point of view to the other, but to explain the other's point of view to itself. There is room here for a pair of institutions devoted to the task of mutual exposition — a British-staffed and British-financed institution in England to supply the sound and balanced information about the United States so sadly lacking at present; an American-staffed and American-financed institution in the United States charged with the duty of understanding (not of defending) the British Commonwealth of Nations. Added to this there is, of course, the need of a vastly greater interchange of individuals between the two countries — not of rubber-necking tourists, who sometimes do as much harm to mutual understanding as they do good in the balance of payments — but of leaders in every walk of life, who will stay long enough to get below the surface. The two Governments might well join together to encourage and finance the interchange, on the largest possible scale, of scientists, technicians, medical men, university professors, journalists, highway engineers, architects and every other variety of professional and technical experts, so that in every walk of life in each country there will come to be a nucleus of men and women who really know the other. For students, who can stay as long as two or three years, the Rhodes Scholarships and the Commonwealth Fund Fellowships have done an inestimable amount of good and should be extended on the widest possible scale. Perhaps it is not fanciful to see in the hospitality now being shown in America to so many British children the germ of a large-scale scheme for the exchange of school children.

All these unofficial activities, however, will be unavailing without very much closer contact between the two Governments. Long-range negotiation by diplomatic notes will not serve to unravel serious difficulties; the history of the War Debts is an almost perfect example, on both scores, of how not to handle a delicate matter. Fortunately, the contacts that are growing up at present under the pressure of war necessities set an admirable precedent. The first step after the war should be to see that these contacts

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are maintained. The British Ambassador in Washington should continue to be a member of the British Cabinet: the technical difficulties are no greater, and in some respects less, than those that faced the Chief Secretary for Ireland when, in the old days, he was a member of the London Cabinet. It is to be hoped, too, that, as at present, every department of the British Government whose affairs might conceivably affect the United States should maintain its mission in Washington. By this means, after a time, it would come about that most of the members of a Cabinet and most of the Senior Civil Servants in London would have had American experience. To attain the same end for the leading personalities of American politics is more difficult, since there is a far greater turnover of personnel from decade to decade in Washington than in London. But at least it could be secured that the staff of the American Embassy in London was kept as large in numbers and as varied in experience as at present, and it might even, in time, become appropriate to suggest that United States Senators and Congressmen should be given opportunities of familiarizing themselves with the problems and opinions of all parts of the British Commonwealth. An impressive and increasing number of informed relationships between officials in Washington and their opposite numbers in London have already been created during the past twelve months. The best way of ensuring that they do not wither away after the peace is probably to formalize them within some such structure of committees as is already growing up between the United States and Canada as a result of the Ogdensburg agreement.

These recommendations are neither dramatic nor spectacular. They are not offered as an alternative to the more ambitious plans for creating some sort of British-American federation. On the contrary, they are the necessary supplement to such plans, the essential groundwork of preparation for them. If a federal scheme is to have a chance of working, then hard and detailed spadework of the kind here described will be needed. And if the wider ambitions have to be deferred, then here is something that is easily within the reach of immediate statesmanship.

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# THE WAR FOR EASTERN EUROPE

*By Bruce Hopper*

THE Nazi assault on Bolshevik Russia ends one nightmare and begins another. The sinister prospect of a coalition between the two wings of world revolution, which haunted the minds of western statesmen for five years, has now been dissolved by Hitler's panzer divisions. In its stead rises another frightening prospect — the possibility that Germany will control the resources and labor power in the vast territory stretching from Bohemia to the Himalayas and the Persian Gulf, and that she will use it as a base from which to gain domination of all Asia.

The key to an understanding of the present titantic struggle must be sought in the forces of history which have perpetuated a disequilibrium in the No Man's Land of Eastern Europe, where for centuries Teuton and Slav have contended, where the Catholic and Orthodox churches have proselytized at each other's expense, and where the Western and Eastern influences in European history have remained locked in stalemate. In the transition from the mediæval period to the modern, the breakdown of the unity of western Christendom and the emergence of the nation-state system roughly coincided in time with the elimination of the strong buffer states which had stood between the Germanic and the Russian centers of power. The result was perpetual instability. Any new solution for this tragic area must be considered in the light of its rôle in history. It is the thesis of this article that the solution of the problem of Eastern Europe is one of the prerequisites to the establishment of a lasting world peace.

## I. TEUTON AND SLAV

Eastern Europe attained its maximum usefulness as a buffer between Teuton and Slav during the first half of the seventeenth century, when Muscovy was going through the Time of Troubles. The Ukraine then enjoyed the freedom of Cossack self-government under Polish hegemony, and Germany was the scene of the Thirty Years War. The buffer states (the Swedish-Baltic Empire, Poland and the Ottoman Empire) reached the climax of their power through the traditional policy of the French kings to support opponents of the Hapsburgs. The arrangement was weakened, and eventually destroyed, by the elimination of these

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historic buffers — the Ukraine by union with Moscow, 1654; Sweden through defeat by Peter the Great, 1709; Turkey through defeat by Catherine the Great, 1774; and Poland by the three partitions, 1772–1795. By these events the Germanic Empires (Germany and Austria-Hungary) and the Russian Empire became contiguous. Each had a policy for the area in opposition to the other's. Bismarck, during his thirty years of office, did try to "keep the wire open to St. Petersburg." But the policy was abandoned by Kaiser Wilhelm II. The contest between Russia and Austria-Hungary, supported by Germany, for control of the Balkan heritage of the Ottoman Empire was the particular stage of the historic struggle for Eastern Europe which in 1914 precipitated the World War. With the passing of the four dynasties in that war (Hohenzollern, Hapsburg, Ottoman and Romanov) a drastic reorganization of Eastern Europe became necessary. To replace the contiguity of empire between Teuton and Slav two solutions for the area were expressed in treaty form in 1918 and 1919. Both failed.

The German solution of 1918 was a plan to reorganize Eastern Europe in the interests of the Central Powers. Poland was granted independence, and a separate Ukraine was created as an economic preserve through which Germany might dictate to Moscow. The Germans expected to recover some of the costs of the war through the advantages they acquired in the East. These expectations were written into their Treaty of Peace with the Ukrainian Peoples' Republic, February 9, 1918, and into the Treaty of Brest-Litovsk with Soviet Russia, March 3, 1918. By the latter treaty Russia recognized the independence of the Ukraine, and renounced sovereignty west of a line extending from the Gulf of Riga to the proposed Ukrainian frontier. By a subsequent treaty, August 27, 1918, Germany forced Russia to renounce sovereignty over Estonia and Latvia, and to recognize the independence of Georgia. The exploitation of the Ukraine, however, proved to be a false hope. The collection of grain from the stubborn peasants required the presence of one million German troops, who in the western theatre of war might well have insured the success of Ludendorf's offensive in France in March–July 1918. The Bolsheviks claim further credit for a share in the eventual Allied victory by their promotion of revolution within Germany, using the Soviet Embassy as a base for propaganda operations. Germany was, in fact, close to a Communist revolu-

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tion in early November 1918. However, the strength of German Communism was a result, not the cause, of Germany's military defeat in the field.

As a result of losing the war in the West, Germany was forced to disgorge her Eastern conquests through annulment of the Treaty of Brest-Litovsk. General Hoffmann, who had conducted the Brest-Litovsk negotiations, then proposed to lead an all-European army into Russia to destroy the Bolsheviks. The plan is reported to have received the favorable interest of Marshal Foch. Students of German affairs have believed that many German leaders remained convinced that the Treaty of Brest-Litovsk would one day be carried into full execution.

Having defeated Germany and gained control of the destinies of Eastern Europe, the Allies restored the buffer zone in theory, but left it weakened by an over-zealous application of the principle of self-determination. They accepted the separatist forces which parcellated the Austro-Hungarian Empire. They recognized the independent states which were established in the limitrophe areas of Tsarist Russia in the Baltic. They created a large but weak Poland to right the wrongs of the historic partitions.

The result was what has been described, not quite fairly, as the "Balkanization" of Eastern Europe. In the place of contiguous empires there appeared on the map a belt of new or restored states — what the Germans call the "Teufels Gürtel." It was not a zone of strong buffer power, but an economic vacuum between the two high pressure areas of Germany and Russia. These weak states were left to work out the problems of their agrarian poverty as best they could and to devise means of meeting what they considered the menace of Bolshevism from the East. In order to improve their own security they resorted to an exaggerated economic nationalism which disrupted the natural exchange of agricultural and industrial goods between Eastern and Central Europe. Only an effective federation of Poland with the Baltic states, and the close coöperation of this bloc with the Succession States of the Danube basin, could at that time have restored the historic buffer between Germanic and Russian power. But the Poles, in their new nationalism, were still romantically devoted to the hope of a resurrected *Rzecz Pospolita* (the Polish-Lithuanian Res Publica after 1569, which extended from the Baltic to the rapids of the Dnieper). They refused to accept the Curzon Line as their eastern boundary. By the Treaty of

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Riga in 1921, resulting from their expedition to Kiev the previous year, they acquired considerable Russian lands. This added a Ukrainian minority of six millions to the German minority in Poland. The Czecho-Slovak state, already burdened with a German minority and a Hungarian minority, likewise acquired a Ukrainian minority in Carpatho-Ukraine, an area which came into its possession partly because of uncertainty as to how else to dispose of it, partly because the Czecho-Slovaks desired to have a common frontier with Rumania. The multi-national character of Poland and Czecho-Slovakia proved to be a weakness to each.

As no European Slav power showed the capacity to organize the buffer zone, it was only a question of time before a revived Germany, or a strong Russia, would attempt to gain mastery of it. The Allies, by failing to put their solution of the historic problem of Eastern Europe on a firm economic basis, and by failing to settle the problem of European security, created a vacuum. The existence of this vacuum was one of the causes of the second World War in 1939.

In the given conditions — a highly efficient Germany, with surplus industrial capacity and manpower, and a backward, agrarian "Teufels Gürtel" which blocked her off from the riches of the Ukraine and the Middle East — the historic German *Drang nach Osten* was, and is, to the German mind, as natural as the law of gravity. Even the Weimar Republic, whose weakness forced it into the Rapallo policy of coöperation with Soviet Russia, was never willing to accept as permanent the loss of the two eastern provinces, nor to recognize Germany's eastern frontier of 1919 as fixed and final. It remained for Hitler and Alfred Rosenberg to advocate marching to the Urals and to propose a fresh implementation of ideas deeply rooted in German thought. The Hitler "crusade" is an extension of the Hoffmann plan.

Bismarck, as a realist, did not want to add a single Slav to Germany's population. But Hitler, the romantic, had the idea that he could get the Corridor and Posnania from Poland in exchange for giving Poland a free hand in the Ukraine. Further, since Austria-Hungary no longer existed, it became necessary for Hitler to create either another multi-national state or a series of such states, to serve as the nucleus of the territories won by German arms in the push to the East. For a time it seemed that Poland was to be cast for the rôle formerly played by Austria-Hungary. The Nazi-Polish Ten Year Pact of Non-Aggression, in

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January 1934, was considered a first step in fulfilment of the plan for the creation of a Berlin-Warsaw-Kiev-Baku economic axis against Russia. But after the death of Pilsudski, who held to the dream of a resurrected *Rzecz Pospolita*, Poland's leaders seemed to believe that any solution of the Ukrainian problem which would benefit Germany would *ipso facto* be detrimental, if not fatal, to Poland. Accordingly, from 1936 on, they sought to renew their former ties with France and to improve their relations with Soviet Russia. The last Nazi attempt to gain Polish collaboration in their designs on Russia is said to have been made by Göring in his offer to Colonel Beck during the hunting box party near Bialowice, in January 1939.[1] What reply Colonel Beck made is not known. But two months later the Nazi seizure of Prague brought German troops to Poland's southern frontier.

The Anglo-French answer to Hitler's seizure of Prague in March of that year was to guarantee Poland. Whether or not Poland might have been forced to collaborate with the Nazis had that guarantee not been given is not known. Nor is it known whether the Nazi war machine would then have rolled quickly to the Russian frontier and faced Stalin with an immediate decision — either to fight alone or to request military assistance from other members of the League of Nations. What seems to be fairly clear is that the Anglo-French guarantee to Poland forced Hitler into temporary collaboration with Stalin (1939–41) in order to relieve the anxieties of his General Staff regarding another war on two fronts along the lines of 1914. The Polish leaders might have chosen to collaborate with Hitler and to share in the "New Order" at the expense of Russia. Instead, they kept their pledges to Britain and France, and opposed the Nazi war machine unaided; in the dénouement the Germans and the Russians met again over the body of Poland — the fourth partition.

From this point of view, the war against Britain and France became for Hitler a necessary interlude, in order that he might destroy the offensive power of his potential enemies in the West before resuming the march to the Ukraine and the Caucasus. He kept his timetable in smashing the Low Countries and France, but he was delayed by the failure of the all-out air offensive on Britain.

Although compelled to postpone the invasion of Britain, the Nazis were able to reorganize the industrial and food production

[1] *Cf.* W. E. D. Allen, "The Ukraine." New York, Macmillan, 1941.

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of all the occupied territories to strengthen their war machine for the eventual assault on the U.S.S.R. The Nazi Balkan campaign of the spring of 1941 was preparatory to gain control over the approaches to the Straits. Considerable mystery cloaks the relations between Germany and Russia in the period prior to the assault on June 22, 1941. The novelty was not the attack itself, nor the timing, but the fact that Stalin was not given another opportunity to collaborate on fixed terms. There was no German ultimatum. It is reported that Stalin hoped the attack would not come before August, as winter would then be a more certain ally. His actions (*e.g.* recognition of the short-lived rebel régime in 'Iraq, and the dismissal from Moscow of the missions of the various small countries conquered by Hitler) indicated that he would have played for more time by collaborating further. But Hitler decided otherwise. His decision to gamble on being able to destroy the Red Army by autumn probably was the greatest risk he has taken since he invaded the Rhineland in 1936.

While it is hard to distinguish between a war emergency arrangement and plans for permanent reorganization, it seems likely that Hitler's political purpose is to create a German *Lebensraum* by driving the Bolshevik régime into Asia and by setting up a new multi-national state in Eastern Europe to serve as a substitute for old Austria-Hungary. He may conceive of this new state as a West Slav bloc consisting of Lithuania, part of Poland and all of the area inhabited by a Ukrainian-speaking population. For German purposes such a state must be militarily weak and politically dependent on the Reich. Into it would be moved the Czechs, all the Poles, and other Slav groups whose historic lands have bordered on the Reich. The lands vacated by these persons would be occupied by Germans, thus enlarging the purely German *Lebensraum*. Hitler's economic purpose is likewise vast. In particular it involves the exploitation of Russia's raw materials, especially oil, as supplies for the "New Order" in Europe and as sinews in a long war of attrition against Britain and America.

## II. WHAT NEXT?

Whatever the ultimate military outcome of the Nazi-Bolshevik war, it created a new situation for Britain and America. Hitler's "crusade" might spread conditions of civil war to all the occupied territories of Europe. Or it might pave the way for Hitler to make a peace offensive in the West. Meanwhile the British-

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Bolshevik war alliance of July 12, followed by the British-American promise of all possible aid to Russia, has ushered in a new stage in the joint effort against the Nazis. The many complications which may result from this action can as yet be only guessed at. But it is here suggested that our policy should be formulated with several contingencies in view.

The first contingency assumes the survival of the Bolshevik régime. This requires that the Red Army shall keep the field in Europe through September and shall continue to demonstrate a capacity for counter-offensive tactics in order to avoid envelopment by the Germans. The Red Army must be able to retreat far enough and in time (*cf.* the success of Joffre's retreat in 1914, and the failure of Gamelin and Weygand in 1940). It may be that the German Army will stop for the winter at Leningrad and at points in the Eastern Ukraine. The Germans would then control about three-fifths of Russia's coal and iron, and a considerable part of the sources of food supply. Further, the *Luftwaffe* would be within range of the lower Volga and could not only hamper industrial production but also could threaten interruption of Russia's oil supplies by river tanker and pipe-lines. The situation would be serious. Nevertheless, if the Red Armies in European Russia can avoid suffering a knock-out blow, and provided its air force remains effective, the Russians can contain a large part of the German Eastern Army and can continue to exact a heavy Nazi expenditure of manpower, *matériel* and oil. In that event, provided the British and the Americans have meanwhile acted with increasing rather than decreasing vigor, the situation of 1918 might be repeated: "Germany wins victories in the East, but in the end loses the war through a defeat in the West."

Survival of the Bolshevik régime also involves effective execution of the "scorched earth" policy, so that invaded areas offer insurmountable problems to the enemy; the continuance of effective guerrilla warfare; and effective sabotage of communications and units of production by the secret Russian organizations left behind in the occupied zone. As the Ukrainian collective farms are operated almost exclusively by tractors, the Germans must capture the Russian oil fields to make the campaign pay its costs. Reports indicate the possibility of a sea-borne attack on the Caucasus with barges built or assembled on the lower Danube, and supported by air-borne troops after the manner of the operations in Crete. Granted the British obtain transit privileges

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through Iran, it remains to be seen how much of the Indian Army can be diverted by General Wavell from Singapore and East Africa for the defense of the oil wells in the Caucasus.

If the Bolshevik régime is forced back to the Urals, how self-contained would be the Ural-Baikal zone? There has been a heavy movement of industries eastward since 1932, nearer to the new sources of raw materials. This has vastly improved Russia's strategic position over that of 1914, when one-third to two-thirds of the key industries were located in the extreme west. The Ural-Kuznets combine (iron and coal), while not yet equalling the output of South Russia, is expected eventually to become the economic center of gravity of the Soviet industrial system. Transport difficulties have been largely met by the building in recent years of numerous feeders to the trunk lines, and by double-tracking of the Trans-Siberian railway. Whether the Ural area and the territories stretching thence to the Pacific can withstand a combined siege from west and east cannot be determined from the data available. Sverdlovsk, the citadel of Russia's inner defense, will be the most likely choice by the Bolsheviks for their capital if their régime moves east of Moscow.

Other factors conditioning the survival of the Bolshevik régime in the circumstances indicated would include the capacity of the military and naval commissars to counter German efforts to spread defeatism and separatism. Further, the Bolsheviks used the "boring from within" process successfully in Germany in 1918. They might do so again.

However, should the contrary happen — should the Red Army be destroyed this year, or should it be enveloped and captured, or should it be put out of action through the breakdown of transport or a failure of supplies or the general economic exhaustion of the country — then it is possible that the Bolshevik régime might collapse, and that under Nazi pressure the Soviet Union might dissolve into its component racial parts, at least for a time. This is the second contingency which American policy must take into account.

There can be little doubt that the Nazis expected such a collapse when they again assumed the risk of a war on two fronts. Their plan is to set up puppet régimes from Finland to the Caucasus, with a main focus of Germanic power in the West Slav bloc described above. Control over the puppet régimes would give the Nazis the advantages of control over Russian resources

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and labor power. From this base they would be in a position to threaten Britain in the Middle East and India.

### III. ALTERNATIVE AMERICAN POLICIES

For the United States this new situation on the world battle front compounds the political confusion. Who is friend and who is foe? Finland, long hailed as the advance guard of the free peoples, is fighting on the opposite side of the line from Britain. France, from whose forge the fires of *liberté* spread through Europe, is collaborating, under the pressure of defeat and by decision of the Men of Vichy, in the creation of Hitler's "New Order." At such a moment, when yesterday's opponent is today's war partner, when the comrade of many battles is the potential enemy of tomorrow, it is necessary for us to think through a long-range policy which will reconcile the British-American determination to win the war with the requirements of a constructive plan to win the peace after the hostilities are over. Central in all such calculations must now be a consideration of the rôle of Russia, both in the war and in the peace.

If the Bolshevik régime survives, as set forth above as one contingency, and if the United States enters the war on the side of Britain, do we assume any of the obligations Britain may have in regard to Russia? Granted that every effort must be made to maintain the Eastern front so long as the Red Army keeps the field, there exists the element of risk that some American supplies might fall into German hands. Critics of the Bolsheviks, while expressing astonished praise for the heroism of the Red Army, are alarmed over the possibility that American supplies might help preserve Bolshevism in Russia, might even, one day, serve as sinews for world revolution. They argue that the release of war materials to Russia and American financing of Soviet purchases should be made contingent upon the dissolution of all Comintern agencies in America and Moscow's abandonment of world revolution.

A second question involves the Far East. If, after occupying Indo-China as a precaution to the South, Japan abrogates her Neutrality Pact of April 13, 1941, with Russia, and attempts to seize the Maritime Province, the Kamchatka fisheries, or Outer Mongolia, should the United States intervene in order to keep open the line of supply to the Russians? Does the cause of defeating Hitler require that we give military support to the

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Bolsheviks in the Far East, considering the lessons of our intervention there in the years 1918–20?

A third question concerns the peace. The Bolshevik régime entered a brief period of tolerance in 1934 following the successful completion of the first Five Year Plan, but it hardened again under the threat that the Nazis might march to the Urals. Is there any evidence that it might again soften once the Nazi power were broken, and actually become an economic democracy through faithful fulfilment of the 1936 constitution? Could the democracies share the responsibilities of establishing peace with a chastened Bolshevik régime, one, moreover, which would be dependent on the West for economic reconstruction? That peace will demand, as the foregoing pages have endeavored to show, a balance in Eastern Europe. It can be attained only through the creation of strong buffer states to prevent direct contact between the Germanic and the Russian zones of power and likewise to prevent the division of the area into small nationalistic states having too complete jurisdiction over their separate economic destinies. Can America take part in the war, even merely to the extent of serving as the arsenal for democracy, and avoid responsibility for correcting the historic disequilibrium which, once the Nazis had come to power in Germany, made the war all but inevitable?

Should the Bolshevik régime collapse, another and different question would arise. Should the process of dissolution of the Soviet Union, perhaps into many weak states under shifting local leaders, be allowed to run its course without any attempt being made to save the old national régime or build a new one? The answer might be "yes" by those who imagine that the war can be satisfactorily ended for Britain and America by a "compromise" under which the Ukraine and the Caucasus became part of the Nazi *Lebensraum*.

It is possible, of course, that in event of a collapse of the Bolshevik régime there would be a new so-called national régime, one of the Vichy type under German domination. In that case, ought we make an effort to prevent the Trans-Siberian railway from falling into its control? Should we, as part of the same policy, support whatever opponents to the Nazis there are at that moment in the Far East — China, or perhaps even Japan?

On the other hand, if the successor régime were purely Russian and nationalistic in temper, organized by the remnants of the Red

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Army as a system of military Socialism within the framework of the 1936 Constitution, should America support it by economic and military means? The emergence of a Russian national state of an attenuated socialistic character, which felt too weak to foster world revolution or which was no longer interested in it, might very well offer a solution which we could wholeheartedly support as an economic democracy indigenous to the soil.

Our latest guidepost in reëxamining our attitude toward the Russian problem was provided by the Roosevelt-Churchill "Atlantic meeting." The two leaders there decided to give material support to Russia as part of the "win the war" plan. Their "win the peace" plan was incorporated in the Eight Points, certain of which bear directly on the problem of Eastern Europe. Mr. Roosevelt and Mr. Churchill agreed:

> 2. They desire to see no territorial changes which do not accord with the freely expressed wishes of the peoples concerned.
>
> 3. They respect the right of all peoples to choose the form of government under which they will live; and they wish to see the sovereign rights and self-government restored to those who have been forcibly deprived of them.
>
> 6. . . . they hope to see established a peace . . . which will afford assurance that all the men in all the lands may live out their lives in freedom from fear and want.

The second and third points repeat, in essence, President Wilson's doctrine of self-determination and consent of the governed as enunciated in his speech on the Four Principles, February 11, 1918. The sixth point refers to two of President Roosevelt's four freedoms. The phrase "all the men in all the lands" applies not only to the oppressed peoples of Europe, but to Russians and Germans as well.

It is interesting to recall that President Wilson in 1918 proclaimed that the treatment accorded to the Russian people would be the acid test for the victors. That test was met by putting Russia behind a *cordon sanitaire*. The acid test may again be the treatment accorded the Russian people who have suffered longer, and more intensely, than any other great nation except the Chinese. By their Homeric labors to "build Socialism," and by their equally Homeric resistance to the Nazi invaders, the Russian people would seem to have earned the right to enjoy President Roosevelt's four freedoms. A purely Russian national state, based on modified Bolshevism but moving in the direction of true economic democracy, as devised in principle by the Bolsheviks in

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1936, would seem, in the eyes of the writer, one with which Britain and America could fully coöperate. Should that come to pass, then the British-Bolshevik alliance, supported through to victory by America, may prove to be not just a war marriage for the purpose of defeating the Nazis, but the initial step in a process to bring Russia back into the community of Christian nations. In formulating our policy we should not take any action that might block or impede the attainment of this satisfactory result.

### IV. CONCLUSIONS

Many of the questions here raised cannot be answered before the military outcome of the Nazi-Bolshevik war is known. It is becoming increasingly clear, however, that the United States ought to formulate in its own mind the policies which it should follow in each of the various contingencies which may arise. Day-to-day decisions should conform to a pattern and they should add up, at the end, to make a coherent whole.

Even at this early date, and even in such a bewilderingly complex situation, one still is able to make a few general statements. One of them is that the nightmare of a Nazi-Bolshevik coalition is over. Another is that Russian Bolshevism may be regarded as offensively dangerous to the world as a whole only when, in alliance with German Nazism, it unites the two wings of world revolution. A third generalization is that when Germany and Russia do not adjoin each other they are likely to be friendly to each other and remain at peace; and that when they are contiguous they gravitate into war. And fourth is the possibility that out of the crucible of war may emerge a Russian national state which, even though retaining Bolshevik leadership, will abandon world revolution.

From the historical point of view, the fundamental issue being decided on the Eastern front is whether the Muscovite Power, which began as a small nucleus around Moscow in the fifteenth century, can survive in the twentieth. If so, the world will eventually face the problem of building up an effective buffer zone between Germanic and Russian power. Unless a constructive solution is achieved for the "Teufels Gürtel," it will continue as the cradle of wars and the graveyard of peace settlements. The statecraft of the United States, the world's strongest economic power, will share in determining not only Germany's place, but Russia's place also, in the community of nations.

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# AGAINST A SEPARATE AIR FORCE: THE RECORD

*By George Fielding Eliot*

AGITATION for the creation of a separate air force as an independent arm of the defense forces of the United States, divorced from the Army and Navy, is again coming to a boil under the pressure of current events. No less than three bills have been introduced in Congress seeking in one way or another to effect this change, and it is probable that public hearings will soon begin on one or more of them — may, indeed, have begun by the time these words are in print. The subject is of such importance to the public security that there ought to be wide and sober public discussion of it. Otherwise our citizens may be led astray by emotional appeals or plausible special pleading. The purpose of this article is to enumerate the advantages claimed for a separate air force for this country, and as far as possible to examine them in the light of actual experience in this war. War is the final test of all military policies. Against its verdict no mere theory, however ardently presented, can stand.

The proposal for a separate air force takes two general forms. One suggests the formation of a Department of National Defense, headed by a Secretary of National Defense, with under-secretaries for Army, Navy and Air. The other suggests the formation of a separate Department of Air, co-equal with the existing Departments of War and Navy, and like them responsible directly to the President.

Boiled down, the essential difference between the proposals is merely that the first would interpose an additional echelon of authority between the Commander-in-Chief and the fighting services, while the second would not. Both would create a separate fighting service, the Air Force. There is some confusion of thought amongst proponents of these ideas as to how this Air Force is to be organized; some would have it include all military and naval aviation; others would leave the naval air arm as it is now, and also allow the Army a certain amount of aviation, while creating the separate Air Force for independent air missions — the so-called "true missions of air power." Of which more hereafter.

As to the respective merits of these two proposals, it may be said at once that nothing can detract from or weaken the con-

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stitutional authority and responsibility of the President as the Commander-in-Chief of the armed forces of the United States. They cannot be shared with any subordinate. Coördination is of course essential. We do not require a Secretary of National Defense for that purpose, however, but rather a joint General Staff directly responsible to the Commander-in-Chief, whose need in the discharge of his responsibilities as such is not an additional civilian collaborator but well-digested military advice and information. The plan for a War Cabinet discussed in my article in the last issue of FOREIGN AFFAIRS, "Planning for Victory," would provide such a General Staff as an adjunct to the War Cabinet.

Under war conditions, the task of coördinating two services is difficult enough for the President without increasing the difficulties three hundred percent by adding a third service. A simple diagram will illustrate what I mean. Draw on a piece of paper two equal-sized circles whose perimeters overlap about one-fourth. Label one "Army," the other "Navy." The area of overlap is the area of coöperation, in which coördination by higher authority is required. Now add a third circle, whose center is equidistant from the centers of the other two; let this represent the proposed separate Air Force. You will see that there are now four areas in which coördination is required: Army-Navy, Army-Air Force, Navy-Air Force, and Army-Navy-Air Force. Far from simplifying the problem of command and coördination, you have enormously complicated it. Complications of this sort are dangerous in war, and may contain the seeds of disaster. They should be foreseen and solved in advance by simple and adequate organization, based on the lessons of experience. It has been urged by supporters of the separate Air Force that the experience of this war shows the need for such separation. Actually, the record shows the contrary.

II

Germany has a separate Air Force — yes, and one which has proven highly efficient. But the whole German organization is different from ours, is essentially military. The present German state is a single vast military organ, in every department of which military ideas are dominant. Germany has no Navy, in the sense in which we have a Navy. Her naval problems are secondary, her surface fleet insignificant; only her submarine arm rep-

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resents a formidable sea-going weapon. Her access to the sea is restricted and her chief military problems are continental. The German Navy's task is an auxiliary one — to aid in the solution of those continental problems, under the direction of the Führer and the Supreme General Staff. Its position in the German military organization as a whole, and its responsibilities, are about what the position and responsibilities of our Navy would be if we had no ocean-going fleet and no overseas possessions and if our naval activities were confined chiefly to the operation of local defense flotillas off our own coasts and of submarines which preyed, as opportunity offered, on enemy commerce. Every state must create military instrumentalities adapted to its peculiar geographical situation. Germany created an air force with two main missions: (1) to support the German armies in offensive operations; (2) to carry out independent air missions, both in offense against the vital centers of Germany's enemies and in defense of Germany's vital centers against enemy air attack. Such air support as might be required for purely naval operations was, in the circumstances, a decidedly secondary matter.

The Germans, however, realized the basic principle that unity of purpose and effort is the key to all military success, and that such unity of purpose and effort can be secured only by unity of command, by unified coördination and control of every agency necessary for achieving victory. They therefore created a High Command of the armed forces, or *Wehrmacht*, directly responsible to the Commander-in-Chief, Hitler, and they recognized the fact that their problems were primarily army problems by placing at the head of this organization an army officer, Field Marshal Keitel. Under Keitel there is a combined General Staff of army, navy and air force officers, and this staff coördinates the work of the three Commanders of the three fighting services, each of whom in turn has his own staff. Keitel sits in on all conferences of the Nazi War Council, or Cabinet, of which he is a member, the other members being Göring, for production; Goebbels, for propaganda; Ribbentrop, for foreign affairs; Funk, for economics; Himmler, for police; Ley, for labor; and Todt, for munitions.

Thus Hitler has an organization for controlling every resource of the German state, and for welding them all into one single instrument with the single object of waging total war. The *military* phase of total war is but one phase. In the highest councils of the German state it has a single representative, who in turn controls

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an organization adequate to every military responsibility which may be laid upon it. It is an admirable system for Germany, all this; but we had better recognize that it is not a system which can be transplanted in its entirety to democratic soil. And while learning such lessons as it may have to teach us, we should remember that armies and navies are living organisms, part of our national growth, and can serve us well only when national characteristics and traditions, as well as national necessities, are kept in mind in their organization and command.

Perhaps the best part of the German system, and the part which we may most easily adopt, is the "task force" system for the execution of military plans. When any operation is to be undertaken, the first responsibility of the Chief of the Supreme General Staff is to select a commander-in-chief for the particular campaign to be taken in hand. He does this in consultation with his staff and with the three commanders of the three branches of the armed forces, and with Hitler's approval. The best man is picked for the job, regardless of rank, regardless of anything except efficiency, experience and ability. The "task force" commander then selects his own staff, enjoying wide latitude in so doing, and, having been given his general directive, prepares the plans for the operation and decides what forces he will require of the three branches of the *Wehrmacht*. In the meanwhile, through the medium of the Supreme Council, coördinate plans involving every other department of government are being made with the aim of furthering the success of the campaign. When the plans thus made have been given final approval by Hitler, a time is selected for the beginning of the campaign, munitions are assembled, troops moved to concentration areas, and, at the prescribed moment, the operation begins.

The system is as well adapted to defensive as to offensive operations. Thus, a task force might be chosen for the mission of defending a given area against air attack. It would include fighter squadrons, a balloon barrage unit, anti-aircraft artillery (including guns, machine guns, searchlights and fire-control units), a signal corps warning net with a civilian organization supporting it, engineers for the quick repair of bombed air-fields, and probably infantry, light artillery and tanks for the defense of air-fields against attack by parachutists or air-borne troops. A coastal frontier might require also defense against attack from the sea, including fixed and mobile artillery, mine-fields, reconnaissance

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planes, and a local defense flotilla of small naval craft (torpedo boats, submarines, mine-layers, mine-sweepers, patrol boats, net-layers, boom-defense vessels and other types). There is nothing in any of this which requires a separate air force; indeed, what is required is close coördination of air with surface activities, and this a separate air force would tend only to impede. We can have such advantages of the German system as are adapted to our use without blindly accepting features which are either not suited to our system of government or not fitted to our needs.

It may, however, be asked: What of the independent air missions for which the German air force is trained in addition to being trained to coöperate with surface forces? These missions, as already pointed out, consist of attacking vital centers of the enemy and defending one's own vital centers from air attack. Both — but more particularly the former — are tasks which the independent air force enthusiasts call the "true missions of air power."

The distinction between an independent air offensive and other air force missions is the fact that it undertakes direct action against the sources of enemy power rather than against his armed forces. Air power, properly so called, strikes directly at the enemy's means of production, distribution and communication, and at the "will to fight" of his civil population. In former days the enemy's armed forces were the immediate objective of all military operations, as a means to the ultimate objective, his defeat and surrender. Air power strikes directly toward the ultimate objective, without preliminaries. This is what is meant by air power, as something distinct from land power or sea power. But in actual test, it has been shown that air power is not capable of achieving a quick decision by itself over a strong and resolute people. Its shattering effect on morale and on the total economy of states has not measured up to prewar expectations. It plays a part, but only a part, in the general operations of war. Its actual effect seems to be an extension of *blockade* to interior communications and means of distribution and manufacture, and in this field it has achieved its most marked results. Its effect on civilian morale has not been impressive. For the best results, it requires close coördination with other forms of warfare — with the work of surface and especially naval forces, economic warfare and even propaganda.

Defense against this form of attack requires — as shown above

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— many other elements in addition to air forces. The Germans have sought to reduce complications by making their anti-aircraft artillery, searchlights, and air raid warning system a part of their Air Force instead of a part of the Army. We could do the same, if there were any necessity for it, though it would mean a tremendous amount of change, confusion and discontent. But the fact is, that the possibility of large scale air attacks on our home territory does not form a major part of our present military anxieties. There is no reason for making drastic changes in our organization to meet a danger which does not now exist, and which will not exist within any period for which we can now make practical preparation, provided we take the essential precautions to prevent an enemy from establishing air bases within reach of our homeland.

Likewise, large scale air attacks by our air units on the vital centers of any other large Power can only be possible when and if we have established bases from which our airplanes can reach those vital centers. Independent offensive operations by American air units must therefore be predicated on the success of other operations designed to obtain, develop and defend such advance bases. In the nature of things, these must be combined operations in which the mission of our aircraft will be to support and assist our naval and land forces, and perhaps even to transport or supply certain elements thereof; but they will hardly be independent missions in the sense of applying "air power" directly against an enemy's vital centers. The same thing applies to preventing hostile bases from being established near our shores. It is very rarely that an enemy can be bombed out of a position by air power alone. Otherwise, Malta would no longer be a British possession, nor would the Italians have been able to hold the Dodecanese Islands; even Crete, where both fighter and anti-aircraft defense were sadly lacking, was taken not by bombing, but by air-borne infantry and artillery, in hard fighting on dry land, *supported* by bombing.

Thus we see that the primary missions of American air forces must almost always be combined missions, and rarely or never independent missions. Before independent missions become possible many other things must first happen. It is primarily for these coöperative tasks that our air units must be trained. And let this be noted well — they need a great deal of training to perform such tasks properly, training and indoctrination and team-

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spirit and service loyalty. All of this can best be obtained if our air forces are part of the surface forces which our airmen are to assist, with which they are to work, and whose methods they must know to perfection. Air forces so trained can, when occasion arises, perform independent "air power" missions perfectly well; but air forces trained only for independent missions cannot perform coöperative missions because they have not been trained for them.

Here we discover one of the chief fallacies in the idea that we need an independent air force as well as a Navy air force and an Army air force: it is a waste of effort, an uneconomical use of power, for it sets aside a certain part of our air effort for one type of mission only, a type of mission which we may never need to execute, and which we can execute only after other and combined missions have been accomplished; or, conversely, which shall need to execute only after other and combined missions have failed. On the offensive, this weakening of the ability of our air force to coöperate with surface forces might result in the defeat of our efforts; or on the defensive might enable enemies to get within reach of vital centers where otherwise a hostile bomb would never fall.

The defense of our overseas possessions and of such additional outlying bases as we may acquire raises a rather different set of problems. Such bases, considered as advance bases, exist for the purpose of giving a wider radius of action to the mobile sea and air forces operating from them. Their defense must be the responsibility of specially assigned "task forces" adequate to deal with an attack on the scale which may be anticipated and capable of assuring the safety of the base until it can be relieved. Such defensive "task forces" must include land, sea and flying elements in due proportion, under a single commander; and the defense of a group of bases in a single strategical area such as the Caribbean may be placed under a single higher commander — as the defense of the Caribbean has in fact been placed under Lieutenant General Andrews.

From all this, one single fact stands out with a clarity which hardly requires emphasis. The United States cannot direct a serious attack against any other great Power, nor be attacked by any such Power, save by operations which are primarily naval in character. Only by sea can we send armaments forth from this country to attack others, or to support our advanced bases —

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which are chiefly insular. Only by sea can any other Great Power send armaments to seize and occupy bases from which attack can be directed against us. Thus the very first element in our security, and the primary aim of our military policy, must be the command of the sea. Having it, we have also freedom of action to use our enormous resources as our national interest may dictate; lacking it, we are subject to every sort of harassment and interference, and may in the end become open to attack by forces with which we are not prepared to deal.

This situation is very different from Germany's and calls for very different instruments, a very different distribution of military resources, a different organization and a different system of command. For, unlike Germany's, it makes our Navy our primary military consideration. This is by no means to say that ships alone are today adequate to command the sea. Airplanes are so essential, indeed, to any modern naval force that without them it is almost helpless against an enemy not similarly deficient. But naval aviation must be a part of the Navy itself, a living member of a living organism, not an auxiliary or an adjunct. It is an essential part without which the whole could not function or indeed exist. This the British have had to learn from bitter experience, and we may well profit thereby.

III

Great Britain has a true separate air force. It is administered by a separate government department, the Air Ministry, which is coëqual with the Admiralty and the War Office. The Chief of the Air Staff bears the same relation to the Air Minister that the First Sea Lord (Chief of the Naval Staff) and the Chief of the Imperial General Staff (that is, the Army General Staff) bear respectively to the First Lord of the Admiralty and the Secretary of State for War. The three Chiefs of Staff have also a joint and several responsibility for giving military advice to the War Cabinet, of which their Ministers are members as is the Minister of Defense (who is also the Prime Minister). The three officers form what is called the Chiefs of Staff Sub-Committee of the War Cabinet, and they have a small staff of selected officers who form at least the germ of a combined General Staff. In practice, this system is hampered by a long history of inter-service jealousies and bickerings. Of late years these have centered around the separate air force and the problems arising therefrom. Moreover, there has

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been so little actual coöperation among the three services in time of peace and so little attempt at any combined direction of military policy that many improvisations and adaptations have had to be made under the inexorable pressure of wartime events, with consequent loss of opportunities and with unnecessary defeats and unnecessary casualties.

The British have tried to obtain unity of purpose and effort, not by coördination and control, as have the Germans, but by cooperation and agreement. This may produce reasonably satisfactory administration in time of peace, but it is not a method suited to waging war. It results in compromise instead of forthright decision, in half-measures rather than a bold and determined use of all available resources toward a common end. Against an enemy possessing true unity of command it loses time and fails to exploit opportunities; it promotes a defensive rather than an offensive attitude; and it permits a fatal division of responsibility. Thus in the disaster of Crete, the blame has never been correctly placed. Probably, indeed, it attaches to no one individual. Responsibility was divided between the Army, the Navy, and the R.A.F.; there was no unified command. General Freyberg, the commander of the garrison, was dependent for air support on squadrons controlled by the Air Officer Commanding the Middle East Command of the R.A.F., far away in Cairo, and for naval coöperation on the Commander-in-Chief, Mediterranean Fleet, who was in turn dependent for air support very largely on the R.A.F. (save for such limited aid as he could get from the meager forces of his own Fleet Air Arm). In such a case, divided responsibility protects all, covers defeat, furnishes excuses — but it will not produce victories. If inescapable personal responsibility had attached to one commander in this case, either Crete would have been adequately defended — as it certainly was not — or the decision would have been taken to withdraw while withdrawal without heavy losses was still possible.

This is not, of course, to say that General Freyberg should have commanded the fleet, or Sir Andrew Cunningham the garrison of Crete; but it is to say that (1) each of these officers should have had adequate air support under his own control; (2) upon one or the other of them, or upon some higher authority immediately present, should have been laid the full responsibility for deciding whether or not it was possible to carry out a successful defense of the island.

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Crete, however, by no means completes the tale of the disasters which British arms have suffered because of divided responsibility and lack of unity of command, and because of the system which, in giving rise to these conditions, fatally handicaps surface forces by depriving them of a properly trained and controlled air support.

The fact must be faced, and clearly kept in mind, that *every* operation of war of any consequence requires the coöperation and participation of air forces. No surface force, by land or by sea, can hope for much success unless it has air support; even against an enemy wholly unprovided with air units himself, air support is of immense assistance, while the lack of it against an enemy which does have an air force is likely, if not certain, to be fatal. It therefore may be justly remarked that whereas under existing conditions many operations are purely an Army responsibility, or purely a Navy responsibility, so that the need for coördinated action of the two services in joint operations is only occasional, the placing of all aviation under a separate air force would make such coördination essential in every little skirmish and minor affray.

The decision, however, is almost always had on the surface of the earth; and in all operations where surface forces are working with air support, the surface commander — charged with the responsibility for obtaining the decision — must have full control of his air support. The latter must in turn be led and manned by officers and men who are accustomed to act with surface forces, who are a part thereof, who understand the tactics and technique of the units they are supporting, and who know what to do without being told each time, in the enormously variant exigencies that may confront them.

In this connection, the remarkable success attained by the British in General Wavell's offensive campaign from Sidi Barrani to Benghazi, where the participating air squadrons were placed (by agreement, it is true) wholly under the control of the commanding general, should be contrasted with the failure of operations in Greece and Crete where this was not the case. One high-ranking officer who served in Greece is reported to have said that he would never accept another command in which he did not have full and undivided control of his supporting air force. Moreover, a most distressing lack of confidence arises in such cases between the personnel of the services in question, with serious

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resulting injury to morale. Thus after Crete it was necessary to keep apart the returning troops and the personnel of the Royal Air Force, and the resulting lowered morale all round is still one of the considerations which operates against a renewal of the British offensive against Axis forces in Libya.

Examining the whole of the British war record, we see that the Royal Navy has probably been the chief sufferer from the independent air force system. Until 1937, naval aviation as such did not exist in the British service. Royal Air Force planes and personnel were embarked in aircraft carriers and in ships carrying catapulted planes, and when so embarked came under the operational direction of the naval commanders. The Admiralty furnished liaison officers to the Air Ministry to consult on the design and procurement of planes to be so embarked. But the Admiralty had no real control over the fleet's aviation, over the training and selection of personnel, or in procurement matters. The inevitable consequence was that naval aviation suffered, almost expired. While R.A.F. fighter squadrons were being equipped with the best planes in the world for the defense of the British Isles, British carrier-borne aviation was years behind our own in both equipment and training. After a long struggle the Admiralty succeeded in 1937 in getting greater control of the Fleet Air Arm — that is, ship-borne planes and flying personnel — but even then was not able to obtain control for its own agencies over the design and procurement of naval aircraft.

What happened when this hybrid system was put to the test of war?

In Norway, the R.A.F. planes of the Coastal Command, patrolling the Norwegian coast, failed to give proper and accurate information of the movement of German ships — because they did not have navy-trained personnel who knew what to look for and the significance of what they saw. Long-range naval flying boats were not available for reconnaissance and as patrol-bombers, to strike swiftly at the very small and initially vulnerable German forces which seized the principal Norwegian ports, some of them in positions fatally exposed to the attack of really efficient naval aviation. When attempts were made to use carrier-borne planes to cover landings and support landed troops, the planes were insufficient in number and hopelessly outmoded in design.

Of the Blackburn Skuas which at that time were the fighter

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planes of the Fleet Air Arm, competent observers say: "Too slow, unmaneuverable, bad landing characteristics." The Skua is a two-seater. The use of two-seat fighters was thought necessary because of the need for carrying a naval officer as observer and commander, since the Fleet Air Arm pilots were insufficiently trained in naval duties. From the sorry performance of these Skuas in Norway arose the current myth that carrier-borne fighters cannot hope to compete qualitatively with shore-based fighters.

Even today, though the Fleet Air Arm has made marked advances, it is still suffering from faulty design and especially from an insufficiency of proper aircraft; it is still the step-child of the Air Ministry in this respect. Thus in the Battle of Cape Matapan, where the British Mediterranean Fleet struck such a telling blow against Italian sea-power, the aircraft carrier *Formidable*, with a rated capacity of 70 aircraft, had but 27 (14 scout-bombers and 13 fighters). In the famous air attack on the Italian fleet in Taranto harbor, a desired force of 21 torpedo-bombers for the carrier *Illustrious*, likewise rated as carrying 70 aircraft, had to be made up by drawing 8 planes from the *Eagle*. In the search for the *Bismarck*, the carrier *Victorious*, with a rated capacity similar to the others mentioned, had only 9 scout-bombers and 6 fighters; the carrier *Ark Royal*, rated at 60 aircraft, had only 20 bombers and 12 fighters in the same operation. Incidentally, the *Ark Royal* had only 3 pilots aboard who had ever participated in naval operations previously, and actually had to use 3 others who had never before taken off from, or landed on, a carrier. These are handicaps which might easily have led to disaster against a naval foe more formidable in quality than the Italians or in strength than the Germans. For example, had the striking force from the *Ark Royal* not found the *Bismarck* when they did — and with the conditions of visibility obtaining, they might quite easily have missed her — she would have been but 230 miles from Brest on the morning of May 27, presuming she had been able to continue at the speed of 21 knots which she was making up to the time of the *Ark Royal's* air attack. That is, she would probably have escaped, and British sea-power and prestige, the *Hood* thus unavenged, would have suffered a disastrous blow. The pursuing battleships had already been compelled to reduce speed because of shortage of fuel, and would have had to return to port on the 27th.

It is all very well to say indignantly that the responsibility for

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this state of affairs rests squarely on the shoulders of the Air Ministry. It does, of course; but it rests even more heavily on the shoulders of those who are responsible for the system which deprives the British Navy of the full control of its own aviation. As long as human beings are human beings, they are going to give first place and all preference to their own needs and responsibilities. The Air Ministry, responsible for the defense of the British Isles against air attack, have successfully and indeed magnificently discharged that responsibility. They are not too strongly to be blamed if, in doing so, they have neglected the needs of others whose responsibilities lie outside their field of action.

Coöperation between shore-based aircraft of the R.A.F. and the Navy has likewise proven unsatisfactory. From the very beginning, R.A.F. fliers proved unable to identify shipping observed, whether merchant or naval, friendly or hostile. In Sir James Somerville's brush with the Italian fleet to the southward of Sardinia on November 27, 1940, an indecisive action might have been turned into a victory which would have disposed of what remained of the Italian battleship force after Taranto, had it not been for faulty reconnaissance and incomplete reports by "coöperating" R.A.F. planes from Malta. In the actions off Crete, much of the very heavy British naval loss is probably attributable to repeated failures of the R.A.F. to identify the ships they were sent to support. There have been occasions when British aircraft have attacked British ships by mistake.

Probably the chief area of failure, however, is the coöperation with the Navy of the Coastal Command of the R.A.F. in the British Isles. The Coastal Command at the outbreak of the war was directly and wholly under the Air Ministry; its relation to the Navy was purely coöperative. Its duties were chiefly reconnaissance, and it had a few flying boats and a somewhat larger number of land-based scout-bombers. When it found an enemy target at sea which had to be attacked, it usually had to appeal to the Bomber Command, with the result that, under changing conditions of visibility, the target frequently escaped. When it was necessary to defend a British convoy against hostile bombing attack, the Fighter Command had to be called upon, usually with somewhat better results, but still with inevitable delays. But upon the Admiralty lay the responsibility for the protection of British shipping, and the Admiralty had no control at all over even the Coastal Command, let alone the others. It was an im-

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possible situation, as the development of the German submarine-air warfare against British shipping soon proved; and the Coastal Command has now been placed, for operations only, under Admiralty control. To it have been added long and medium-range bombers, more flying boats, and long-range fighters. Thus a compromise, an expedient, has been forced upon Britain in place of a smooth-working and efficient organization which ought to have been operating at the outbreak of the war.

It is difficult to understand how a naturally sea-minded people like the British could have supposed that their Navy could adequately discharge its primary duty, the protection of sea-communications, without control over the aircraft essential to its work. They had to learn that lesson by experience, and at a cruel price.

In one field the R.A.F. has done its duty in a manner beyond all praise — in the defense of the British Isles against German air attack. This, indeed, was its primary task, and its Fighter Command had been organized with this mission chiefly in view. All anti-aircraft artillery and the warning system came under the Fighter Command for operations. There was in this instance unity of purpose and effort implemented by unity of command, and the result has been a job well done. But it would be a mistake to argue from this that the United States, with no such problem to face, requires a separate air force because Britain has found that it meets this particular problem satisfactorily even though it meets others unsatisfactorily. Like Britain, we have vitally important naval responsibilities; unlike Britain, we cannot be directly attacked by air unless our naval responsibilities are improperly discharged.

## IV

We must cut our military coat to fit our needs. We have, in fact, done so. The best answer to those who claim that the older services tend to hamper and delay the development of aviation is the United States Navy's splendid air service, which is acknowledged almost universally to be the finest, as it is certainly the largest, naval aviation in the world. It is purely a naval service, developed within, by and as an integral part of the Navy. It includes carrier-borne aircraft in considerable numbers (and our carriers have full complements of planes), scouting and spotting aircraft on board every battleship and cruiser of the fleet,

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and the long-range patrol aircraft which are rapidly increasing in numbers and which operate either from established shore bases or from temporary bases by the use of seaplane tenders. The personnel of this service, like all Navy personnel, are Navy men first and foremost; they think Navy thoughts, speak Navy language, act on Navy principles, Navy doctrine, Navy customs. They form an increasingly large proportion of the Navy's officer corps and of its enlisted personnel; and because of the close association of aviation with the other components of the fleet, all Navy personnel is more or less familiar with the qualities and operation of naval aircraft, so that from top to bottom we have a thoroughly air-minded Navy. Should the day ever come — it is far distant — when surface ships will cease to be the chief fighting weapon of naval power, and the control of the sea passes wholly into the hands of flying seamen, our Navy will be ready to assume these new responsibilities, and to command from the air the sea routes which it now commands from air and surface together.

To tear asunder this smooth-working, efficient, prideful organization, with its long traditions of service, its deep-seated loyalties, its fine comradeship in arms, would be an act of folly unequalled in our military history. But what then? Assuming that we have made an unanswerable case for letting the Navy handle its own aviation clear back to the blueprint stage, clear back to the selection and training of its pilots and mechanics, what of the rest of our air forces?

Obviously, as we have already shown, true independent air-power missions do not represent the first call upon our air forces. Even if some day the range of aviation is so extended that enemy bombing missions across our guardian oceans become possible, with ample margin for the return of the enemy aircraft to their European or Asiatic bases, we must still ask ourselves whether they are likely to prove worth-while in the view of those who could send them forth. The enormous increase in the size of the individual airplane which is necessary for such missions is well demonstrated by the colossal B-19 Douglas bomber — colossal in cost as well as size — which we have recently finished. Is any Power going to build a fleet of such monsters to attack us? Remember that one lesson of this war has been that continuity of effort, of fire effect, is just as essential in air bombing as it is in an artillery bombardment; and it is far harder to obtain. It is

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not enough to hit one tip-and-run blow. Repeated blows are necessary. But the factor of distance is the greatest check upon bombing operations; experience has shown that the effort required to produce a given effect increases not in proportion to the distance flown, nor even as the square of the distance flown, but as at least the third or fourth power of the distance from airfield to target. In this war the bombers that so far have been available have not been effective beyond 500 miles. This radius is slowly increasing, as larger types come into service, to something like 750 miles. But it is 3,000 miles across the Atlantic, from European bases to our nearest vital centers. Which means that something like 64 times the available "useful load" capacity would be required to bomb (with a given effect) New York from London than is required to bomb Berlin from London. To build, man and service an air fleet capable of direct trans-Atlantic bombing operations under existing conditions would probably be beyond the capacity of any European Power, even a Germany triumphant over all Europe; certainly it would be beyond the capacity of any Power which had any other considerable military responsibilities. It would be one of the most tremendous gambles in history, a putting of all eggs into one basket, in the face of the unchallengeable lesson of experience that air efforts alone have never yet proven decisive in war, not even against so favorable a target as the island of Great Britain at a range of 50 miles.

Plainly, however, with possible future air developments in mind, we cannot view with equanimity the establishment in Europe of any one Power with military supremacy and a free hand to concentrate all its military preparations against us. We cannot afford to allow such a power to gain unhampered access to the sea, and to establish itself in outlying bases from which to threaten our vital communications, our own outlying bases, and still less our home territory. This becomes a fundamental principle of our strategy and of our military and foreign policy, now and forever. The oft-heard theory of continental spheres of control — "Let us keep America. Let Japan have Asia. Let Germany have Europe and Africa" — defines the route to new and dreadful wars which would outclass in horror and strain anything ever known before.

For the present, however, and for the future as far as our poor vision permits us to peer, our immediate needs do not call for trans-Atlantic bombing fleets of our own, or for defense against

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trans-Atlantic bombing fleets of other Powers. Our primary dependence must rather be in our Navy, complete with its splendid naval aviation, as it now exists. And the rest of our air forces ought to have as a primary mission the support of our land forces, and be therefore a part thereof, while not neglecting training for such independent missions as they may be called on to perform, either together with naval aviation or alone.

Our Army air organization is now well adapted for these purposes. Our Air Force Combat Command is commanded by a lieutenant general, and operates directly under the Chief of the Air Corps, who has no military superior save the Chief of Staff. This is not unlike, though not wholly identical with, the relation of the German Air Force to the Supreme General Staff and to the German Army. The Combat Command is divided into four Air Forces, each under a major general, and each including a Bombing Command, an Interceptor Command (fighters and balloon barrages, with anti-aircraft artillery and warning services attached for operations), and a Support Command for close coöperation with ground troops. A fifth Support Command has been organized to work directly with the Armored Force. Separate Air Commands exist in the principal overseas possessions, organized as part of the task forces which are charged with the defense of those possessions. All this forms an organization which takes into account those qualities of strategical concentration and flexibility which are the keys to efficient conduct of air operations. Combined with a properly distributed system of bases, including outlying bases, it enables the bulk of our land-based air force to be concentrated swiftly on either coast, wherever it is needed to defend our shores, to support the Navy, or to bring help to a threatened neighbor. It provides adequate, trained, competent air support for any expeditionary force which we may have to send out from our shores. It provides adequate air support for the task forces charged with the defense of our coasts against raids, which are always possible. And by keeping the bulk of our military aircraft under a single command, it insures adherence to the eternally right principles of concentration and economy of force.

This organization of our Army air forces is a new one, especially the feature of it which makes those forces semi-autonomous within the framework of the Army, much as is the Marine Corps within the framework of the Navy. Like all new things, it will take a

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little time to develop, to rid itself of minor defects, to adjust itself to its task. The Army is rapidly becoming as air minded as the Navy. Many general officers of the line now are former flyers (General Andrews, for example), and the old-type general who thought of aircraft as a mere auxiliary is fast passing from the active scene into the shadows of the Retired List.

The great bugaboo of the air enthusiast — retardation and stifling of air development by the brass "hats" of the Army and Navy — is out of date. The lessons of the European war have been digested and are being applied by both services. Those lessons, as we have tried to show, call for two things: the closest possible coöperation between air and surface forces, and unity of purpose and effort brought about by unity of command. Both these objects would be defeated, as regards American military institutions, by the creation of a separate air force, whether or not the existing services were allowed to retain their own aviation.

In any event, if, as some claim, the development of independent air operations, of air power properly so called, might be retarded by keeping our air forces attached to Army and Navy, then the answer is not to create unnecessary complications by forming a separate air force, but to set up a joint Research Bureau, manned by selected Army, Navy and civilian experts, and provided with ample facilities for keeping the technical development of our aviation well out in front. Organization can then be kept in step with technical progress, and new types of air power will be ours when, as and if we need them.

At the moment, time is precious, is indeed the most valuable of all commodities. To set up a new Cabinet department, with all its bureaus and administrative ramifications, and a new fighting service, with all its supply, administrative and medical branches, would at any time be a task of immense magnitude. Endless delays and endless confusion would result. We cannot afford them now.

Both British and French experience show that when a separate air force is created, a new set of vested interests are thereby created also. The desperate struggle which the British Air Ministry made to retain control of the Fleet Air Arm, the bitter political strife by which the French Air Ministry at one time gradually acquired all authority over French service aviation, shows what to expect. Once created, a separate air force would never rest until it had gained control over whatever aviation might have

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been apportioned to the Army and Navy. The resulting inter-service quarrels might well wreck all efficiency, as they wrecked the naval aviation of Britain, as they wrecked the whole French air force so that it was almost useless when the hour of trial came. The French had a "Department of National Defense"; they had a separate air force. Obviously, these are not the panaceas for all ills. Italy also had a separate air force, with a geographical position seemingly ideal for its employment. It also failed, especially in the field of naval coöperation — time and again Italian planes have bombed their own ships, or led them into British traps as a result of faulty identifications. On the other hand, the Russian air force, which is a part of the Red Army, did well in Finland and is giving an excellent account of itself against the *Luftwaffe*, particularly as regards efficient coöperation with ground troops. Against this experience, this record, is set only theorizing, predictions, and the "formula of the three elements" — army for land, navy for sea, air force for air — which sounds so plausible to the lay mind.

One final point must be emphasized: the whole problem is bound up inescapably with the question of unity of command. Without unity of command a separate air force is impossible; with it, unnecessary. Unity of command must however be carefully planned and implemented. Unity of administration through control of the Army and Navy by a single department is not the answer. This has never worked where it has been tried, unless, as in Germany, one service was distinctly secondary and subordinate; even then it tends to the misuse of that service, as in the case of the German Navy in the Norwegian campaign. The failures of the Russian and Austro-Hungarian Navies in the last war, too, were not unconnected with the fact that they were under army control. But the air covers all, and air forces are required for every surface operation. Some means of joint planning, some means of securing coördination in the execution of plans — the assurance of unity of purpose and effort by means of unified command in the field — is essential. A joint General Staff, working with a well organized War Cabinet and directly responsible to the President as Commander-in-Chief, with the "task force" system for all operations, seems the best possible answer. Leave the control of our air forces as now established. It accords with the teachings of experience, before which all theory must bow.

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# OMENS IN THE FAR EAST

*By Nathaniel Peffer*

THE balance of forces in the Far East has been shifting for a year, and now the shift has become decisive. It has been a shift in the direction of what can be called the larger political good — meaning, in this case, the development of an international equilibrium on which peace can be based without injustice to any nation. In this sense the Far East seems to be nearer a régime of lasting peace than it was a year ago or five years ago. The weakening of Japan in the course of her abortive attempt to subjugate China; the further attenuation of Japanese power in the course of Japan's extension into the South China Sea; the rapprochement between Japan and Russia (even if temporary); the deflection of Russian power from the Far East to Europe, and its depletion in the struggle with Germany; the strengthening, meanwhile, of the military position of British, Dutch and American possessions in Southeastern Asia — these are some of the factors which have operated to shift the balance of power in the Far East and to facilitate the establishment of a political order in which international conflict may cease to be endemic.

What are the elementary sources of conflict in the Far East? First, and mainly, there is the rivalry for domination over a weak China. Second, and only latterly, there is the dispute for possession of the more valuable colonies in Southeastern Asia. With respect to the first, it is plain that either there must be a strong China capable of safeguarding its independence by its own efforts or that some other empire will appropriate China permanently and beyond possibility of challenge. With respect to the second, either the Netherlands East Indies, French Indo-China, British Malaya and the Philippines must be independent (which is hardly practicable in the near future, except in the case of the Philippines), or one or more empires must control them definitely, with or without the kind of outside supervision adumbrated in the mandates system. With respect to both, it can be said that the conditions of lasting peace have become more feasible by reason of the events of the last few years.

Let us consider China first, for it presents incomparably the more important problem. Toward the close of the nineteenth century China had become one of the larger stakes in the im-

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perialistic struggle. In that struggle all the major Powers were contenders. But with the turn of the century Great Britain, Germany and France began receding to secondary rôles. More and more they were preoccupied with purely European concerns, for already the lines were being drawn for 1914. Henceforth they were to content themselves with just maintaining their positions. From 1900 on, the most serious threats to the integrity of China, and therefore to political stability in the Far East, were to come not from Japan only, as we have been prone to believe in recent years, but from both Russia and Japan. Japan has made the most nearly successful attempt to subvert Chinese independence. But it has not been the only attempt. In point of fact, the two nations have alternated in making threats — Russia from, say, 1898 to 1904 (to the Russo-Japanese War); Japan and Russia together, through their secret agreements regarding spheres of interest, between 1907 and 1914; Japan from 1914 to 1922 (or to the Washington Conference); Soviet Russia from 1923 to 1927 (the years of the Russo-Chinese alliance); Japan from 1928 to date.

From whatever direction the threat came, there was unrest in the Far East and disquietude in the West. Every attempt to disturb the precarious Asiatic balance galvanized the Western Powers into taking protective measures. Each of the European nations sought to preserve its own foothold in China and, even more, to prevent any other nation from laying the basis for an omnipotent empire by acquiring China's resources, trade potentialities and manpower. The United States after 1899 sought to obviate any political change which would give another state an economic monopoly over China and consequently exclude American traders from the Chinese market. Thus it moved in 1899 to obtain international pledges of the Open Door, and later to arrange international guarantees of Chinese integrity as the only assurance of equality of opportunity for trade in China. And it must be emphasized that Secretary of State John Hay's attempts to restrain Russia in the Far East between 1900 and 1904 were of the same order as Secretary Stimson's attempts to restrain Japan in 1931 and Secretary Hull's in 1937 and after. In short, it has become one of the major assumptions in world politics that no Great Power is to be permitted to establish hegemony over China, and therefore, by a kind of political gravitation, over all Eastern Asia, without resistance by the other Great Powers —

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that is, unless the others are immobilized by struggles in another area or otherwise rendered impotent. And it follows that the Great Powers are as likely to go to war to stop Russia from getting control over China as to stop Japan. In other words, from the point of view of maintaining peace in the Far East, and therefore in the rest of the world, there is very little good in frustrating Japan if Russia is left to take her place, precisely as there was very little good in helping Japan to frustrate Russia in 1905 only to have Japan take Russia's place.

Both contingencies are now more remote than they were. This is the fortunate result of the operation of the various forces released by the conflicts in Europe and Asia. Both Japan and Russia are further from mastery over China than at any time since the nineteenth century. By the same token, China is nearer independence than at any time since she began to suffer from Western incursions. It may seem paradoxical to say that Japan is furthest from success when she is in military occupation of the larger part of China, when her puppet government is installed in the capital at Nanking and when what was the government of China has been driven a thousand miles inland. And it might be paradoxical in fact, had not Japan dispersed her strength over some three thousand miles, manœuvred herself into a position where she has to deploy her waning strength on three fronts, and linked her fate with the unenviable fate of Germany. But this she has done; and in consequence she has forfeited such chance as she had to consummate the plan she inaugurated with the invasion of North China in July 1937.

At the best, the chance was none too good. It had already begun to fade when the Chinese, contrary to all Japanese expectations, failed to submit after they lost Nanking at the end of 1937. China sacrificed territory but conserved manpower. And she sacrificed no territory without exacting a price from the Japanese in both men and materials. Unceasing guerrilla resistance thus has deprived the Japanese of a large proportion of the advantages of her successes. China is not pacified. The Japanese cannot withdraw their troops. Their expenditures are offset very little, if at all, by any fruits of territorial conquest. If we take victory to mean the establishment of orderly government over a country which has submitted, and the extraction therefrom of economic benefits, Japan is no nearer victory now than she was in 1937.

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What Japan has been unable to do in four years, starting at the height of her military and economic power, she is not likely to do in the next couple of years. On the record, she would not be able to succeed even if she had concentrated on China as the single object. Instead, however, she has diverted ships, men, arms and munitions to the southward advance. She has done this partly in expectation of taking advantage of the opportunities offered by the presumed collapse of Great Britain and partly out of fidelity to her obligations as a member of the Axis. But Germany herself long ago staked out a claim in China. She would be little inclined to waive that claim in a moment of triumph. German officers were helping the Chinese armies for more than a year after the war with Japan began. German supplies were pouring into China even longer. Germany is still keeping her economic footing in China, even though diplomatic relations between the two countries have been severed. And without active German support Japan will be no better off in China tomorrow than she is now.

The prospect of active German support for Japan, entailing the exclusion of German trade from China's markets and resources, is remote indeed. On the contrary, Germany is more likely to contest priority in China with Japan, and to revert to her earlier policy of advancing credits and supplies to China. Even if Germany, triumphant in European Russia, stops at the Urals and permits the formation of some Russian Siberian state in affiliation with the Axis, Japan still will have a powerful and jealous neighbor as a potential check on her action on the mainland. On the principle of maintaining the balance of power in the Far East and of keeping Japan from getting too strong, the Siberian affiliate will be inclined to adopt a cautious policy towards her and will be able to count on as much German support as is necessary to keep her in bounds. Japan thus will still have to carry on her fruitless attempt to beat China into submission at the same time that she maintains strong defenses further north. If, on the other hand, Germany makes an end of Russian resistance altogether, and extends her direct sway through to the Chinese border and Vladivostok, then Japan will be worse off than ever. She will adjoin directly a rival empire incomparably stronger and more efficient than Russia ever was, whether Tsarist or Communist. In that event the likelihood that Germany will help, or even permit, Japan to absorb China can be

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dismissed. Nothing is said here about the position of the United States in the event of a German victory, since that cannot be calculated now; presumably, however, the United States would be immobilized in the Atlantic.

Japan has linked her fate with that of Germany, and it follows therefore that if Germany can be defeated the Far Eastern problem can be solved almost automatically, at least so far as Japan is concerned. If Great Britain comes through the struggle with her navy unimpaired and her air force at the top of its form; if America is fully armed, with a navy and air force of unprecedented dimensions; and if the Chinese army remains intact, then Japan can be dealt with at a single stroke. Either she would have to withdraw from southern waters entirely or her navy could be cut off three thousand miles from home by the British and American fleets. Japan then could be shut off from the rest of the world by boycott and blockade. If Japanese troops did not in consequence evacuate China, planes, tanks and artillery could be poured into that country out of the surplus stocks left at the end of the war. The lack of heavy armament which has hampered China from the beginning would be quickly remedied. And with Japan now on the defensive and isolated from the world, the threat of the convergence of British and American fleets in the Pacific and the massing of long-range bombers at Singapore, Hong Kong, Vladivostok, Manila and Chungking would be decisive. Japan would submit to the dictates of fate; if she did not, her resistance against the combined British, American, Russian and Chinese forces would be short-lived. China would be freed of invaders and Chinese rule restored. And even if it cannot be taken for granted that the militarist cliques in Japan would at once be unhorsed, it certainly is not too optimistic to assume that there would be no more support for them once the magnitude of the disaster had come home to the Japanese people.

In any event, Japan is going to be left impoverished and with the reckoning still to pay. Whatever the state of Japanese public opinion may be when the present war is over, Japan cannot for years command the means to indulge in more conquistador episodes. From our point of view, then, her adherence to the Axis clearly has not been an unmixed evil. Seen in perspective, it was on the whole fortunate. For if the democratic countries can bring about the defeat of Germany, they can eliminate the

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Japanese menace by corollary, as a mere incident to Germany's defeat.

There remains to consider Russia, the other contender for supremacy in China. As has already been said, it will not serve our purpose to eliminate Japan from that country, only to have Russia set out to achieve the same ends there. Those ends have never been renounced by Russia, whether Tsarist or Communist. In this connection, the significance of events between 1923 and 1927 must not be discounted. Russia came nearer acquiring an ascendancy over China at that time than ever she had come in the days of the most aggressive Tsarist imperialism, nearer, indeed, than any country has come except Japan in the last four years. Nominally, Borodin of the Communist International, deputed to the Kuomintang as adviser by agreement with Sun Yat-sen, was only a visiting expert. Actually, under his inspiration and guidance a Chinese Communist Party was formed which by "boring from within" all but acquired full powers of national decision. What had begun as a conventional nineteenth century nationalist revolution for the recovery of independence was becoming a social revolution, something never intended by the original Chinese revolutionaries. In the summer of 1937 the Chinese Communist Party, on authenticated orders from Moscow, made an outright bid for a majority in the Central Executive Committee of the Kuomintang, which carried with it control of the directive organ for the large part of the country already occupied by Kuomintang forces. Had this bid succeeded, Moscow would, for all practical political purposes, have been the capital of China. Moscow had overreached itself, however. There was a counter-revolt within the Kuomintang in both senses of the word. The wealthy classes and the bourgeoisie no doubt were motivated by fear of expropriation, a foretaste of which had been given in peasant riots and seizures of land. The intellectuals, constituting the original leadership of the nationalist movement, were unwilling to sacrifice their major purpose of emancipating the country from foreign infringements on its sovereignty. To evict the British, French, Japanese, Italians and Americans, only to deliver the country over to the Russians, would have left things as bad as ever. In fact worse, for China would have lost her old recourse of playing one Power off against another and thus establishing something like a balance between their mutual jealousies and rival ambitions. In the result, the majority of the

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Kuomintang stiffened. Borodin was ordered to leave the country. Relations with Soviet Russia were severed. A purge of Communists began — a "white terror," in fact.

The Western Powers, meanwhile, had not remained detached spectators. Great Britain, France and the United States had sent troops to protect their interests and incidentally to provide a base against the further advance of the Nationalists, whether under Communist influence or not. Not only did they obstruct the Kuomintang-Communist advance but they gave encouragement to Chiang Kai-shek to break with the Communists. When he did so, they gave him overt support. They were drawing the traditional lines to prevent the absorption of China by any one Power.

The motive of Russia's policies in 1923–1927 is open to dispute. It may have been part of the old, unrelenting, glacial movement across Asia to warm water, in the line of historic Russian policy whether Russia be White or Red. Or it may have originated in a desire to use China as the spearhead of world revolution when Moscow became disillusioned in its expectations of revolution in Europe following the First World War. The latter would have been in accord with Lenin's celebrated "theses" expounded at the Second Congress of the Third International. The Occidental capitalist countries were not yet "ripe" for revolution. They were vulnerable only in their outer extremities — the colonies. Colonies were the outposts of imperialism and capitalism alike. There was native discontent there, however, and resentment against both foreign rulers and native oppressors. Strike at the colonies, and the empire would be hit. Hit the empires, and imperialism, the prop of capitalism, would be undermined. Hence the colonies were the best field for Communist agitation and organization, and in China, of all the "colonies," was the soil most fertile. But whatever Russia's motive, the result would have been the same, so far as world politics was concerned. Russia — Communist Russia — would have been supreme from Poland to the Pacific, and the other Powers would have acted after the traditional manner in world politics.

The attempt failed. China recoiled. Soviet Russia acknowledged defeat. The Lenin theses were abandoned, and the policy of socialism for one country was adopted — thus formulating one of the issues in the subsequent Lenin-Trotsky polemics. But a Communist enclave remained in China, composed of the Chinese

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Communist Party, now driven under cover. There was another in Outer Mongolia.

For the next ten years the government of Chiang Kai-shek at Nanking devoted itself — and, unfortunately, much of the country's material wealth — to the extirpation of the Communist enclave. The effort was abandoned only with the beginning of the Japanese invasion. The Chinese Communists had carried on intensive propaganda in favor of formal resistance to Japan even before the invasion. They had made considerable capital out of the failure to fight back in Manchuria. They had, indeed, made of Manchuria a Chinese irredenta, with consequences that were to assume peculiar importance in 1941. They of course wanted a war between China and Japan. So did Soviet Russia. To the Chinese Communists it would mean an opportunity to come into the open, to swell their ranks, to establish themselves politically wherever they took over a front against Japan. To Moscow it offered an opportunity to draw off Japanese strength and thus relieve the pressure on the Russian Far East. The war came. If Japan thereby played into Russian hands, it was a coincidence: the Japanese had purposes of their own.

For the first three years of the war it was as the Chinese Communists and Moscow had expected. To each was accorded an opportunity such as it had not had since 1927. Both made the most of it, and the recurrent friction between the Chungking Government and the Communists is the evidence. The relationship between Chungking and the Communists runs as a kind of sub-plot in the Far Eastern drama. The two are genuinely united in their determination to resist Japan; both have mental reservations as to what will follow when Japan is repelled. The underlying conflict of ideas and aims between them has been subordinated, not composed. Under the guise of spreading mass resistance by guerrilla warfare the Communists actually have extended the area under their influence, if not their formal administration. Chungking is gratified at the results of the guerrilla warfare, which really has been effective, but is given pause by the increment to Communist power. The fact is that the Communists have formed nuclei which could be expanded into a full-fledged organ of government over a considerable part of China in case Chungking collapsed, or which would remain as a broader enclave if the Japanese should be driven out. They would then be in a better position to dispute control over the

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whole country than at any time since 1927. It is to prevent this that Chungking has kept the Communist armies on short commons, giving them just enough to keep them fighting but not enough to use for their own purposes. There is this much foundation for the charge of the Communists that Chungking has been sabotaging their efforts. Morally, the position of the Communists is stronger than it has been since 1927. They have proved to the country that they are fighting magnificently, and where they are in control they govern with regard for the interests of the masses. Their integrity, too, compares favorably with the cynicism and orthodox official corruption in Chungking. Moreover, there is the factor of the help being given by Russia herself.

That Russia has made it easier for China to withstand Japan is undeniable. She alone among the Great Powers gave support officially and at once. Great Britain and the United States were at least ungenerous; and the United States was selling Japan supplies which she turned into weapons against the Chinese. Meanwhile Russia was giving liberal credits, materials for munitions and a certain number of planes and pilots. In Russia appeared to lie China's only hope of escaping enslavement to Japan. The Communists made the most of this. They did not require any great propagandizing skill. The fact made its own propaganda. The masses were being rallied again to sympathy for Communism. And a large part of the bourgeoisie and intelligentsia, hitherto opposed to Communism either because they dreaded its economic philosophy or because they feared alien intrusion again, was drifting into sympathy for Russia. Whatever Russia might be, whatever Communism might stand for, both were preferable to subjection to Japan. If the choice had to be made, Russia was the lesser of two evils.

For the first three years of the war the choice seemed to be forced. Politically, psychologically, Russia was becoming as deeply entrenched in China again as she had been before 1927. One of the alternative prospects before the Chinese was that Japan might indeed be repelled, but that they would be left under such obligations to Russia, and the Chinese Communists would themselves be so strong, that Russia would hold the whip hand. The new hegemony would be not only alien but Communist. China would not only be a dependency but a potential field for ideological battles.

This was how matters stood until 1941. Since then there has

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been a complete change. Two events have brought it about: the signing of the non-aggression pact between Russia and Japan, which included Russian recognition of Manchukuo, and the outbreak of war between Russia and Germany. By the treaty with Japan, Russia abandoned the rôle of defender of oppressed peoples which she had sought to assume again in Chinese eyes, not without success. She appeased the aggressor at the scene of his first aggression. By recognizing Manchukuo she formalized her betrayal of Chinese national integrity. Even Chamberlain, arch-appeaser in Russian eyes, had not come to that, not even when the Japanese were trying to starve out the British Concession in Tientsin. With her back to the wall in mid-summer of 1940, Great Britain did, it is true, close the Burma Road to gain a short respite. But she was adamant on everything else, and she reopened the Road in three months. The climax of appeasement in the Far East — the bartering of Manchuria for a diplomatic advantage — was left to Russia. The Chinese Communists, moreover, notwithstanding that they had conducted a virulent campaign against the Nanking Government for letting Manchuria go by default, and had thereby won considerable popular support, came out publicly in support of the Russian action. They reversed themselves overnight and, after the fashion of Communists in every country, conformed to the Party line.

Thus Soviet Russia forfeited the moral position which she had won in China and her claim to China's gratitude. Chinese of the middle classes who were becoming resigned to accepting a greater Russian influence because it seemed the lesser of two evils will now turn back to their former skepticism and hostility. Only the diehard Communists will be unaffected, and by themselves they are not strong enough to gain power. The doctrinal appeal, unless reinforced by the argument that they alone can save China from Japan, is not enough to give them the upper hand. That argument they can no longer make convincingly. The majority of the Chinese will be disillusioned and wary, on guard against Russia and Japan alike. Russia's defection, moreover, comes just when Great Britain and the United States have changed their course and have begun to offer positive support to China. And this in turn comes just when Russia is least able to continue support. Even if Japan and Russia should now go to war, and Russia by implication became an ally of China, Moscow would be in no different position from London and

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Washington. If China emerges beholden to any, she will be beholden to Russia no more than to the democratic Powers — less, probably, in light of the Russian pact with Japan.

Also important in judging Russia's future influence in China is the fact that Russia is at war with Germany. Whatever the outcome of that war, Russia will be shorn of offensive power for a long time. If she is defeated by Germany, she obviously will be unable to undertake any major military enterprise. A separate Russian Far Eastern state might be strong enough to act as a check on Japan, but not to carry off conquests on its own account. If Russia is not defeated, she will still require years to repair the ravages on her own territory and recover her prewar strength. Moreover, in that event Great Britain and the United States also will be undefeated, and for years to come they will dispose of vastly more power than Russia, even in the Far East.

Most important of all, if Great Britain, the United States and Russia are undefeated, China, too, will almost surely be undefeated. She then will have an army in being, organized, experienced in modern warfare and tried by fire. Her territory will no longer be subject to easy incursions from without, no matter by what Power. Against Russia, as Russia was in 1940, China might not be able to stand; but against Russia, as Russia for years will be however the European war ends, China, if she escapes Japanese conquest at all, will be secure. For the same reason internal unity will be easier to achieve and maintain. Once Japan is repelled, the spectre of civil war between the adherents of Chungking and the adherents of the Communists will be laid. The Communists can win adherents now only on the basis of their economic principles. A victorious Chungking will have a stronger claim to popular loyalty. If there is dissension or divergence on economic grounds, as no doubt there will be in China as everywhere else, it will be of the same order as similar dissension elsewhere, not the old Chinese chronic internecine warfare. It will be settled as the economic conflict is settled elsewhere.

Unified, with a strong army and possessing the apparatus of government in working order, China will be able to defend herself against aggression from any quarter. The menace of a contiguous Japan will be relieved, at least for a period. The menace of a contiguous Russia will be relieved, at least for a period. Even if the governments of the democratic countries will not have had the sense to renounce imperialistic ambitions in

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the Far East, they at any rate will not possess the means to gratify them; overseas adventures will hardly win the support they received in the nineteenth century. In any case, China will have time to consolidate herself and to acquire the strength to defend her territory. This, to repeat, is the main assurance for peace in the Far East and, therefore, a vital factor in the hope for peace in the rest of the world. For there will be no cause of conflict in the Far East if the highest reward of victory is no longer attainable.

Of the dispute for possession of colonies in southeastern Asia, the other source of conflict in the Far East, much less need be said. Their future has come into question only since Germany appeared to be about to overwhelm Europe and thus to create a vacuum in southeastern Asia which Japan aspired to fill. But this problem is incident to the European war rather than inherent in Far Eastern politics. If an equilibrium can be restored in Europe — that is, if Germany is defeated — the colonies in southeastern Asia will revert to their situation in the years before 1939. The relation between sovereign and dependency will have to be adjusted in accordance with the degree and temper of native nationalism in the colonies. But that is a problem of a different order from the struggle between empires for tempting colonial morsels. And the building up of defenses in the whole area as a result of the Japanese threat in the last year is itself an added assurance of stability.

On balance, then, whatever may be said of other parts of the world, the omens in the Far East are propitious. In withstanding the German onslaught, and gaining the final victory in Europe, the Western democracies will at the same time emancipate themselves from the danger of recurrent war on the western shores of the Pacific.

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# LET JAPAN CHOOSE

*By Eugene Staley*

JAPAN is, to put it bluntly, out on a limb. It is possible for the United States, acting in concert with the British nations, China, the Dutch Government of the East Indies, and the Soviet Government of Siberia, to saw off that limb; or, alternatively, to help Japan to descend from her precarious perch, on fair terms, with a minimum of injury and loss of face. We should be prepared to do the first and offer to do the second. Then let Japan choose.

It is becoming more and more apparent that Japan made a bad choice in joining the Axis. What can she look forward to as a partner of Germany? If the Nazis win in Europe, Japan's rôle will be at first that of a jackal, later that of a vassal and puppet. If Germany loses in Europe, Japan will have to make terms with the anti-Axis Powers, who will be in undisputed control of all the important communication routes and markets and sources of raw materials in the world, who will be strongly armed and flushed with victory, and who will have suffered such injury and devastation as to be in no mood for gentle dealing with any member of the Axis gang. In this situation, Japan's bargaining power would be nil. On the other hand, suppose the war in Europe develops into a long deadlock, with Germany holding the Continent, but with Britain unconquered and the Anglo-American fleets still ruling the wide oceans of the world. If Siberia were still outside the clutches of the Axis, and still resisting, no route would be open between Japan and Germany. This means there would be no outlet for Japanese silk or textiles or manufactures in Nazi-dominated Europe, and no means by which Japan could get from her Axis partner those outside supplies which are essential to her industrial existence. If, however, the Trans-Siberian Railway could be seized and operated by the Axis, thus keeping open a communications route between Germany and Japan, the terrific expense of 5,000 miles of land transport would eliminate almost all chance of gain from large-scale trade with Europe. In general, one may figure very roughly that rail transport costs nine times as much per ton mile as transport by sea. It would be physically possible to send Japan's typical export products — cotton and rayon textiles, raw silk, machinery and parts, comestibles in tins and

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bottles, pottery, knitted goods, toys, etc. — by the Trans-Siberian land route to Europe. But most of these items are also produced in Europe (except silk, which is a luxury consumed mostly in the United States), and they could hardly be sold to Nazi Germany unless offered at a very low laid-down price. After subtracting the freight, very little would be left for Japanese producers. It would be still less practicable for Japan to get her imported raw materials — cotton, wool, wood pulp, minerals — by the overland route; supposing they could be had at all, the higher transport costs would cut still further into the earnings of Japanese business and labor. No, Japan's economic future depends on her access by sea to distant overseas markets and sources of supply.

The one possible hope of gain which Japanese militarists can hold out to the Japanese people as a result of a policy of alignment with the Axis is based on the assumption of a German victory over both Russia and Britain. Let us examine this hypothesis more thoroughly. Like Italy before the fall of France, Japan is too weak to risk striking at any of her more powerful neighbors unless Germany appears meanwhile to have inflicted on them a mortal wound. Like Italy, Japan is nevertheless able to be of great nuisance value to Germany. She can immobilize, through threats and bluster, considerable land, sea and air forces which might otherwise be resisting the Nazis. But, again like Italy, in case of an Axis triumph Japan is likely to find herself, not in the rôle of equal partner, but in the subordinate relationship of servant to master. Already, according to some reports, the same process of infiltration by German technicians, advisers and propagandists through which Italy was gradually taken over has begun in Japan.

Of course, Japan is a long way from Germany. But consider the strategic situation on the hypothesis we are now exploring, that is, a complete Axis victory in Europe, with both Russia and Britain knocked out, or with Britain at least forced into a so-called negotiated peace which would spell the end of British power in Europe and remove the British fleet as an obstacle to Hitler's progress outside of Europe. Japan would then have a new neighbor in Siberia. This new neighbor, unlike the former Soviet Union, would not be restrained by the operation of any European "balance of power." Japan would find it totally impossible, by either military or economic measures, to make any

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serious threat against the centers of Hitler's power; while Hitler, regardless of Japanese objections, would be free to push his advanced bases far into Asia and to establish *Luftwaffe* outposts within bombing range of Japan's tinderbox cities. In the hands of experienced terrorists like the Nazis — unrestrained, as the Soviet Union has been, by the presence of rival Powers in Europe — this alone would be enough to force Japan to yield on every issue which Hitler might choose to regard as vital. Furthermore, having defeated England, there would be nothing further to restrain Hitler from turning the immense industrial power of the new German Empire in the direction of naval building. Hitler might at first permit Japan to take over former British and Dutch naval bases off southeastern Asia. But in the end he would force her to share them with him. The German Navy ensconced in southeast Asia would be a much more active threat to Japan than the British Navy has been, both because Hitler is an aggressive conqueror and because, in this sphere of activity, too, he would not be restrained by any European balance of power. With the Soviet Union and Britain out of the way, no Power in the world could even threaten to attack Germany in Europe or in European waters; and aided by an augmented naval building program, plus remnants of the Italian, French and British fleets, Hitler could then shift his forces at will over the sea routes which dominate the peripheries of Europe, Africa and Asia.

The Japanese must know about Nazi racial theories. What could they expect but contemptuous overlordship from a Germany thus endowed with unfettered power? Today Hitler wants Japan's help. He finds it tactically convenient to soft-pedal the doctrine of Aryan supremacy so far as the Japanese are concerned, just as he found it tactically convenient to forget for a time, during the period of pretended friendship with the Soviet Union, the doctrines of "Mein Kampf" regarding Bolshevism and the Ukraine. How long would it take Hitler to rediscover the racial inferiority of the Japanese after Japan had helped him to victory? Have Japanese readers of "Mein Kampf" forgotten passages like these (vol. I, chap. 11, "Nation and Race"): "If one were to divide mankind into three groups: culture-founders, culture-bearers, and culture-destroyers, then, as representative of the first kind, only the Aryan would come in question." How about the Japanese? Hitler answers: "But if, starting today, all further Aryan influence upon Japan should stop, . . . then a

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further development of Japan's present rise in science and technology could take place for a little while longer; but in the time of a few years the source would dry out, Japanese life would gain, but its culture would stiffen. . . ." The conclusion is that "one can perhaps call such a race [the Japanese] a 'culture-bearing' one but never a 'culture-creating' one." Now, from the pen of Hitler this is more than a mere slur. For the "culture-creating" qualities of the Aryan are what make him the rightful master and overlord, equipped to use and rule lesser breeds. The political significance of "culture-creating" qualities, as Hitler uses the term, appears in chapter 2 of volume II, where it is explained that "the highest purpose of the folkish State is the care for the preservation of those racial primal elements which, supplying culture, create the beauty and dignity of a higher humanity," . . . the progress of which, "lies exclusively in the existence of a race capable of culture." If Germany had possessed racial unity, says Hitler, "then the German Reich would today probably be the mistress of this globe. World history would have taken a different course," and we might have had "a peace, supported not by the palm branches of tearful pacifist professional female mourners, but founded by the victorious sword of a people of overlords which puts the world into the service of a higher culture." The Japanese reader must ask himself whether, if Hitler finally should turn this vision of peace into reality, mere "culture-bearers" can long be "overlords" even in their own country.

The rôle of Japan in an Axis-dominated world, then, would be far from an enviable one. On the other hand, the news of Russian resistance, of American production, of British fortitude, makes the odds increasingly strong that the end of this war will not see the Axis dominant in the world. The rôle of Japan as an exhausted and defeated Axis partner would not be an enviable one either. Japan's one chance — and many intelligent Japanese must be reflecting along this line — is to enter negotiations for a general settlement with the anti-Axis governments and to do it now while she still has some bargaining power. We, on our side, while prepared to meet any aggressive Japanese moves by force, should also be willing to offer Japan terms of settlement which take account of the legitimate aspirations of the Japanese people, particularly their need for assurance of economic opportunities abroad in the form of market outlets and raw material supplies.

A two-part program will be outlined below. It is suggested that

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the United States, acting with the British nations, China, the Netherlands East Indies, and the Soviet Union, should adopt such a program as its policy in the Pacific. The first part of the program consists of pressure on Japan. The second opens a gate for Japan to pass through peacefully — a way out which is compatible both with the legitimate, long-run interests of the Japanese people and with the interests of other peoples in the Pacific.

The program of pressure on Japan would include: (1) continued and increased aid to China, in order to immobilize as many Japanese troops as possible in the Chinese theater of war; (2) close collaboration with the British and the Dutch in continuing to build up the already strong defenses of Manila, Singapore and the Netherlands East Indies, plus aid in strengthening the Soviet forces in Eastern Siberia in any way feasible; (3) economic blockade of Japan, or the threat of it, to be enforced by total non-intercourse between members of the coalition and Japan, by refusal of fuel and other facilities to Japanese ships anywhere in the world, and by inducements and pressures calculated to persuade all the other countries with which Japan might hope to trade (mainly the Latin-American countries) to follow similar policies.

The consequences for Japan of the economic isolation which such a coalition would be able to enforce without the moving of a single warship or plane into Japanese-controlled waters would be devastating. The effects would not be immediate, but they would be inexorable. Japan is peculiarly dependent upon uninterrupted economic relations with areas outside the range of her own naval power for the materials necessary to sustain her military efforts and to maintain the living standards and the employment of her people. This is the result of her geographical situation and the nature of her economic life.

The Japanese islands are very densely populated. The inhabitants are accustomed to a moderate standard of living, but a rising one. This has been brought up to its present level, despite a rapid increase in population, by the creation of a highly-specialized, modern, industrial system of production. Japanese productivity, and hence the capacity of Japan to provision its people and its military forces, is nowadays geared to machine tools, factories, railways, ocean shipping, and the like. This structure rests, in turn, upon raw materials which are not available in adequate quantities and varieties in Japan proper, or in

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the territories so far conquered by Japan. If Japan were subjected to a total economic blockade the area to which she would have access contains insignificant or very inadequate sources of petroleum, nickel, mercury, platinum, magnesite, mica and asbestos. Serious deficiencies would be felt in iron, copper, aluminum, manganese, lead, zinc, and the ferro-alloys such as tungsten and molybdenum. Moreover, Japanese facilities for turning out machine tools, specialized precision instruments, automotive products, aircraft and many other strategically important items are inadequate. There would be a greak lack of wool, fertilizers, lumber, wood pulp, and vegetable fibers. Furthermore, quite aside from the havoc wrought by shortages of such fundamental raw materials, Japanese industry and the Japanese political and social system would come under a terrific strain in adjusting themselves to the loss of overseas markets. These have provided income and employment for millions of Japanese producers of such articles as raw silk, textiles and miscellaneous small manufactures, as well as for many shipping workers.

Japan is known to have stocks of oil and other strategic materials on hand which would probably last for a good many months. She would find it possible, moreover, to make many adaptations and adjustments in view of the emergency. The fact remains that she is extremely vulnerable to pressures of an economic character, and that these can be applied against her at a long distance from her own sphere of political and military influence. This is the central reason why today one is able to characterize Japan's position as one of weakness.

Japan is also weak in other ways. Suppose her leaders decide to fight rather than yield. Suppose they set out to break the economic blockade by military force. Where can they attack? Japan has a large and modern navy. But the needs of a modern battle fleet for fuel and repairs restrict its field of operations to a limited radius from its own or friendly naval bases. This means that the Japanese Navy can exercise dominant power in its home waters. But it also means — and this is a crucial point — that unless and until new bases are conquered much farther afield, Japan is not in a position to launch any serious attack against the real centers of power of the coalition which would be arrayed against her. The best Japan can do is to attack their outposts in eastern or southeastern Asia. But while she was doing this she would continue to suffer from the attrition of the long-distance

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economic blockade. She would use up precious supplies. She would expose her navy and merchant marine to the risk of serious losses. And her own vital centers of power would be exposed to attack by long-range bombers, particularly if Siberia is available as a base for such attacks. The latter threat is not something the Japanese can ignore. Japanese industries and transportation lines are relatively concentrated, and great sections of Japanese cities — almost literally "made of wood and paper" — are highly inflammable. The distance from Vladivostok to Tokyo, Osaka and Yokohama is some six hundred miles — roughly the same as from English airfields to Berlin.

There is a further point which Japanese military leaders must take into consideration. If they choose the desperate gamble and try to break the economic blockade by force there is no assurance either that the places attacked can actually be captured without crippling losses, or that once a new piece of territory has been captured they will actually be able to get out of it the resources that Japan needs, and to get them out quickly enough to stave off utter exhaustion at home. Meantime, there would be the problem of maintaining communication lines against flank attacks by the strong Powers with which Japan would be at war.

Siberia is defended by Soviet armies designed to operate independently of those in European Russia. The number of Soviet troops in the Far East and east of the Urals is reported to be higher than those which Japan can readily muster for service there so long as she is bogged down in China. Of course, the number of Soviet troops withdrawn to the European front is unknown; but the Trans-Siberian would not be able to transport a very large proportion of them at once. These troops in the Far Eastern provinces are well equipped and have given the Japanese cause to respect their prowess in previous encounters. Furthermore, the Soviet has a considerable force of planes in eastern Siberia, and its Siberian ports are reported to harbor from 40 to 75 submarines. A venture into Siberia would be costly. And even when Siberia had been conquered, it would not solve Japan's supply problem any more than occupied China has solved it. There may be rich resources in Siberia, but a period of years would be required to develop them.

Suppose Japan decides to break the blockade towards the south. The Philippines are now strongly enough defended so that Japan could seize them only by a major effort and at the risk

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of considerable losses. Once conquered, the Philippines would make an important contribution to the Japanese economy in iron ore and vegetable fibers and in a few other respects. But this would merely begin to ease the pressures of the economic blockade.

Farther south are the islands of the Netherlands East Indies, rich in raw materials. The islands themselves have a not inconsiderable defense force, including planes and small naval units. But the greatest bulwark of their defense is the heavily garrisoned naval base at Singapore. It would be risky for the Japanese to launch an attack in this area without having first reduced Hong Kong and the Philippines, so that the defenses of these places, too, help to protect the Netherlands Indies. Finally, if Japan did succeed in conquering the Netherlands Indies or important parts of them without having suffered a major disaster, her problems would still not be solved. Oil wells and refineries would probably be blown up, and it would take a considerable time to get production going again — especially since much of the necessary technical equipment would not be available to Japan. Sea communications might be under constant harassing attack.

The foregoing analysis has been based on the assumption that the main naval units of the United States and Great Britain are occupied elsewhere, with the result that the forces with which Japan would have to contend would be composed mainly of airplanes, submarines, small warships, coast defense units, and land forces. But could the Japanese admirals be sure that after they had extended their lines of communication far to the south, and while they were engaged in the hazardous operation of invading a defended coast, it might not suddenly prove possible for the two greatest navies in the world to spare a major battle fleet for the area?

With our adoption of the firm front described earlier in this article should go a sensible and fair appreciation of Japan's needs and the offer of a plan of settlement which will give her a way out — not just a "face-saving" way out, but a real and lasting solution of her basic problems. The Japanese people, crowded on a few islands though they are, can maintain and increase their living standards if they are able to engage in large-scale processing of raw materials. These, as already noted, must come in considerable part from abroad. And the Japanese must be able to sell abroad a substantial proportion of their produce, thus earning foreign exchange with which to pay for imports. Unless they can

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do this they cannot live — at least, not at an acceptable standard of consumption. If conditions for the Japanese people are not "livable" there can be no long-run stability in the Pacific. This is a fact well recognized by American students of the Far East and by American officials. Upon this fact our offer to Japan should be based. Such an offer ought to lessen the likelihood that Japan will choose a contest of force. If Japan does choose force, our offer would provide a basis on which the war might more quickly be brought to an end in the very probable event that the Japanese people found their situation becoming progressively hopeless.

In proposing a plan of settlement we could afford to offer Japan very generous economic terms. In fact, under them the Japanese people would actually receive many of the economic benefits and opportunities which their militarists have vainly sought to produce by conquest. Further, under those terms Japan would be helped over the difficult economic transition involved for her in turning her war industries back to a peacetime basis. In return, the political terms which we might require Japan to accept would be such as to reverse present Japanese policy and to secure the Far East from the menace of aggression. We should insist on acceptance of a free and independent China as the basis of all future relations in the Far East. This would, of course, include the withdrawal of Japanese troops, the abandonment of all Japanese pressure for political domination over China, and the adoption instead of a policy of peaceful coöperation with that country. A condition of settlement would also be abandonment or demilitarization of all those advanced bases to the south from which the Japanese Navy is now able to threaten Singapore, the Philippine Islands, the Netherlands Indies and the vital communication lines to these places and Australia.

The economic terms of a general settlement might include the following points:

1. The economic development and industrialization of China. This should take place under Chinese auspices and control, but with international technical and financial aid, and Japan should receive definite assurance that large orders for materials and equipment would be placed with Japanese industries. The economic development of China must be the mainstay of any far-sighted program for peace in the Far East. The Chinese themselves wish it. It strengthens China politically as a counterpoise to Japan and Russia, which is desirable from the point of view of

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the United States and for the sake of Far Eastern stability in general. By increasing Chinese productivity, it begins to make the old dream of an immense Chinese market come true. This, far from being harmful to the economic interests of the West, might be one important means of maintaining an adequate rate of economic expansion in the postwar world so that our own transition adjustments to peacetime can be managed with less unemployment and suffering. In the particular context of a Far Eastern settlement with Japan, the industrialization of China is a means of meeting Japan's needs for market outlets, particularly for her heavy-goods industries. Japan's industrial structure has been greatly distorted by the war. In particular, there has been an over-development, from the standpoint of peacetime needs, in industries capable of producing capital goods. To some extent, the transition to peacetime might be eased by an internal program of expansion in Japan and by raising the purchasing power of the Japanese masses. But it will be hard to avoid serious disorganization and unemployment when wartime demands end, and a large-scale development in China, providing large orders for Japanese industry, would help Japan climb down from the dangerous economic position to which her militarists have brought her. Preliminary studies indicate that there are many items of material and equipment which would be needed by Chinese industry and which Japan could supply. In addition, as increases in productivity raise the buying power of the Chinese people there will be an increasing market in China for Japanese consumer-goods industries. Even though the Chinese might soon meet their own needs for some of the simpler manufactures, the loss of Japanese sales in such lines would be more than offset by a great increase of miscellaneous purchases, once the Chinese masses were able to afford watches and toys and bicycles and handbags and radios. The same reasoning, by the way, holds good for the effects of Chinese industrialization upon the Far Eastern markets of Western industrial countries. The Chinese demand for foreign goods will change in character as industrialization proceeds; but the total will steadily increase.

2. Colonial markets. The removal of discriminations and quotas which affect the sale of Japanese goods in the Netherlands Indies, the Philippine Islands, and British colonial territories of southeastern Asia would represent an important concession to Japan by providing a needed outlet for Japan's light consumer-

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goods industries. It would also be a direct benefit to the inhabitants of these colonial areas. Japan is well fitted to produce the cheap, low-quality goods which the colonial peoples can afford. Indeed, Japanese industry was already making rapid advances in trade of this sort when, under the impact of the depression and to meet the wishes of manufacturing industries in the mother countries, the various colonial governments set up drastic bars. Now that British and American industries are absorbed in war production, and with shipping so scarce, it may be politically feasible to allow Japan greater latitude in developing these markets. For Japan to supply a very large percentage of the consumer-goods needed in the colonial areas of Asia would certainly be "natural" from the economic point of view. And if the political danger of Japanese aggression were removed other countries could make no reasonable objection. To a large extent, moreover, Japanese sales in the areas in question would tap new levels of demand, for the native peoples cannot afford the high-cost goods of the West but could buy low-cost Japanese goods if they were allowed to do so.

3. Raw material supplies. Japan could be given definite guarantees that in time of peace there would be no limit on her purchases of raw materials, and that pending the conclusion of the war against Hitler she would be allotted specified amounts of needed commodities. Raw material control boards, such as those regulating the important tin and rubber output of southeastern Asia, would be made subject to the supervision of some international agency, and Japan could be given representation on it.

4. Bi-lateral negotiations. Trade agreements and new commercial treaties could be negotiated between Japan and the United States and between Japan and other members of the coalition. The United States could also make a gesture to Japan which would have a political and psychological value out of all proportion to its economic effect. We could agree to place Japanese immigration under the same quota regulations as those applying to the nationals of most other countries. The effect would be to admit one or two hundred Japanese a year and to remove a totally unnecessary source of bitterness.

5. Economic opportunities in Latin America. Although the Latin-American countries control their own policies with respect to imports, Japan could be assured that if she should find it possible to develop a profitable trade in Latin America the United States and the other members of the coalition would regard that

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as entirely natural. At least, we would undertake not to use our political or economic influence to block such a development.

6. Purchase of the output of war industries. The United States and other members of the coalition might agree to purchase a large part of the output of certain Japanese war industries — steel, chemicals, ships, munitions — thus making it much easier for Japan to achieve the difficult economic transition from war to peace without producing disastrous unemployment. This suggestion is made on the assumption that the war against Germany is still going on when the Far Eastern settlement is made. Japan would thereby acquire an immediate and guaranteed market, not dependent on the speed with which industrialization proceeds in China, for just those Japanese industries which have been most overdeveloped. Not only would Japan be helped to deal with a difficult problem, but her productive facilities would become to some extent a supplementary "arsenal of democracy."

No one can say for sure whether an offer of settlement on some such basis as this would stand any chance of success. Political conditions in the Far East, as elsewhere, are in flux. One hears that many Japanese harbor doubts as to the wisdom of continuing on the present course. Certainly there are material reasons for the assertion that Japan made a bad bargain in joining the Axis. If Hitler loses in Europe, Japan as his partner will share in his defeat. If the war in Europe drags on into a stalemate, Japan as a member of the Axis is economically isolated by anti-Axis sea power. If Hitler wins a complete victory in Europe, then Japan, although nominally on the victorious side, will become a vassal of the Aryan overlords. These considerations make it seem plausible that a reasonable offer to negotiate, backed simultaneously by a firm preparedness to meet any threats of force with force, might even yet find a response in Japan. But suppose our offer were rejected out of hand, would it have been entirely futile? We should at least have made clear for the record that our policy is not based on unfriendliness toward the Japanese people, that we appreciate their real and legitimate needs for assured access to the means of livelihood, and that we are willing to take practical measures that will assist in meeting these needs, provided only that Japan, on her part, also recognizes the need and right of all nations to be free from alien domination and from the fear of attack.

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# HITLER'S BETTER HALF

*By Konrad Heiden*

WITH Rudolf Hess, Adolf Hitler's better half disappeared from Germany. The two had become intellectually conjoined to a degree that is possible only in abnormal personalities. Indeed, they had in a way grown into one personality consisting of two men. If Göring had fled, one might say: "The Third Reich has blown up!" Hess's flight meant that Hitler himself had gone to pieces.

Rudolf Hess was the intellectual creator of Adolf Hitler to the extent that a piano creates music. At a very early and crucial point he prevented Hitler's political career from coming to a premature end. In 1921 the leaders of the Nazi Party sought to expel Hitler from the movement. They had posters put up all over Munich accusing him of striving "to use the National Socialist German Workers Party solely as a springboard for unsavory purposes, win control of it and at the proper moment shunt it to another track. . . ." Hitler resigned from the Party and turned in his membership card, which was solemnly cut in pieces. It was Hess who brought the Party back to its senses. "Are you really blind to the fact," he wrote, "that this man alone possesses the leadership personality capable of carrying out the struggle for Germany?" Hitler was brought back into the Party. Hess and a few others succeeded in having him elected the absolute leader; his enemies were expelled. Hess was perhaps the first of all the disciples to say that Hitler was *der Führer*. He believed it honestly, and acted accordingly for twenty years.

Hess came to know Hitler in the summer of 1920; but this was not their first encounter. Hess had fought as a volunteer in the first World War. The Bavarian infantry regiment to which he belonged from 1914 to 1916 was a unit of a rather special kind, being largely composed of volunteers, mostly students and other intellectuals. From its first commander, a certain Colonel von List, it has entered into German war history under the name of the "List Regiment." It seems that this commander's nerves were not quite equal to the torturing responsibility of the war, for he died in a state of mental aberration. In November 1914 his foolhardy leadership imposed dreadful sacrifices on his troops. The flower of Bavaria's intellectual youth was mowed down, and

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the name of the List Regiment gained an agonizing immortality. Those who remained alive were lucky and felt themselves entitled to speak of destiny's special protection. Hess was one of them. On a certain occasion he had to report to the regimental commander who had succeeded List, by name Lieutenant-Colonel von Tubeuf. At Tubeuf's side stood his dispatch-runner, a corporal. Hess and the corporal looked into each other's eyes, two survivors of the holocaust. How could they have had any inkling of the improbable future? Later they recalled the scene. Both were convinced that destiny had singled them out for some special purpose, since it had led them unharmed through the mass slaughter that overwhelmed most of the List Regiment. The name of the corporal was Adolf Hitler.

Rudolf Hess is a typical German postwar intellectual — the type of gifted man who in the confused Germany of that time was unable to find an appropriate way of life. He is, in addition, a so-called *Auslandsdeutscher* — of German extraction but born abroad. The patriotism of such men is often particularly sensitive. They have wielded a strong influence in the Nazi movement. At their head stands Hitler himself. In a sense Hermann Göring is one also; Alfred Rosenberg, the "philosopher" of National Socialism, is another. Hess was born April 26, 1896, in Alexandria, Egypt, where his father, Friedrich Hess, was in business. The family stemmed partly from southern Germany, partly from Switzerland. Until his fourteenth year Rudolf Hess grew up in Alexandria. Then he was sent to a German school in Godesberg on the Rhine — the same Godesberg where Hitler in September 1938 received the British Prime Minister, Neville Chamberlain. Hess originally wanted to study mathematics, but at his father's desire he went into business. He served his commercial apprenticeship first in Hamburg, then in French Switzerland. At the outbreak of the war in 1914 he enlisted as a German volunteer. He was wounded twice, one shot passing through his lungs. His ambition was to become an aviator, and he achieved his goal after difficulties. In the fall of 1918 he passed his pilot's test, but never saw action, for "peace broke out." He was just 22.

He went to Munich, the greatest city of southern Germany. Munich has always been a kind of counterweight to Berlin. At that time, early in 1919, an extreme leftist radical revolutionary government was in power there. Hess joined a secret society that sought to assassinate the Prime Minister and overthrow the

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government. To give itself a harmless air, the society arranged lectures about the life, customs, poetry and religion of the ancient Teutons. And because these ancient Teutons allegedly came from northern Europe, the legendary region of Thule, the secret group called itself the Thule Society. Arms were cached in its offices and it planned to strike at a given moment. It was an analogous kind of group to what is now called the "Fifth Column." One day soldiers of the government raided the offices and arrested and shot a number of members. Hess by chance was absent — destiny evidently still had its eye on him. Later there was open fighting. This time Hess was in the thick of it, receiving a leg wound — his third wound since 1914. The revolutionary government fell.

Then came the encounter with Hitler. He heard the unknown man speak. It was in the back room of a tiny beer tavern, which went by the name of *Sternecker* and was later revered by the Nazis as one of the not inconsiderable number of birthplaces of their movement. Hitler stood in the tobacco haze, in gray soldier's uniform, crying out that the day would come "when the banner of our movement shall wave over the Reichstag in Berlin, over the Berlin Palace, indeed, over every German home." It was a narrow little room with a few dozen people. As Hess himself later related, he asked himself whether the man he saw before him was a fool or the one man who could save Germany. He jumped to the latter conclusion. Hitler fascinated him at this first meeting.

Hess became Hitler's mirror and sloganeer. His relationship to him can be characterized only as admiration and love, though the customary suspicion that has attached itself to it is certainly unfounded. Hess was not entirely without means. He joined the circle of male and female admirers who regarded themselves as honor-bound to provide for Hitler's livelihood.

He knows how to write, though he has written very little. In those years he wrote a little piece that is at once a portrait and a program for his beloved Adolf Hitler. A wealthy *Auslandsdeutscher* from South America had offered a prize to the University of Munich, to be given to the student who prepared the best essay on the topic: "What Must Be the Qualities of the Man Who Is to Lead Germany up to the Heights Again?" Possibly the whole contest was engineered for the purpose of ballyhooing Hitler, who as yet had attracted little notice. At any rate, the student Rudolf Hess delivered the desired essay and won the prize.

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And now we approach one of the deepest sources of National Socialism. Where did Hess get his inspiration? At the time a large part of the German intelligentsia was under the influence of a book that belongs among the best sellers of recent decades — the so-called "Protocols of the Elders of Zion." These were alleged to be the secret plans of the Jews to seize world dominion. The book is a forgery, as has been proved a hundred times, among other occasions in a trial before a Swiss Court which lasted many weeks and ended in a verdict that clearly established and precisely described the forgery. Today we know that the first source of this forgery was France, and that the final editing was done in Tsarist Russia at the beginning of the century. But today these matters no longer are interesting. What is interesting is that essentially it furnishes a masterly blueprint of modern tyranny. Its basic thoughts, derived from Machiavelli but modernized by a nineteenth-century French thinker, read as follows:

> We shall hold converse with the people in the streets and squares. . . . Our right lies in our might. In a State where power is poorly handled, we shall create a new law, by hurling ourselves upon the government with the right of the stronger. . . . An absolute ruler will take over the government. Without absolute power no civilization can endure; civilization rests not on the masses but on the leader, whoever he may be. The masses consist of barbarians. . . . Effective executions will maintain our rule of terror, enforcing blind and absolute obedience. It is enough to know that we are inexorable. This will abolish all disobedience. . . . The uppermost principle of all successful statecraft is strict secrecy of all that is done. . . . Our leaders must be men who attack their goal with unexampled audacity and spiritual force — in this way alone shall we break all resistance in our path. . . . Imperceptibly the last traces of constitutional law will vanish, until at last the time comes when we can openly seize all government power in the name of our own arbitrary rule. . . . Throughout Europe, and through our connections reaching from there into other continents too, we shall arouse ferment, strife and hostility.

This sort of thing goes on for some eighty pages. In a sense this book was a Satanic Bible for the Nazis. They were convinced that it gave the true and actual plan for Jewish world rule. And one must learn from one's enemies. Hess described the coming German dictator — Adolf Hitler — as follows:

> For the sake of saving the nation, the dictator does not shrink from utilizing enemy weapons — demagogy, slogans, demonstrations, etc. Where all authority has waned, popularity alone creates authority. That has been shown in the case of Mussolini. The deeper the dictator is originally rooted in the broad masses, the better he knows how to deal with their psychology, the less distrust he encounters among the workers, the more followers does he win

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among these, the most active ranks of the people. He himself has nothing in common with the crowd — he is a legendary figure, like every great man. . . . When the need arises he does not shrink from shedding blood. Great questions are always decided by blood and iron. . . .

It matters not whether the parliament talks or falls silent — the man acts. And now it is shown that despite his many speeches he knew how to keep his counsel. His own followers are perhaps most bitterly disappointed. . . . To reach his goal, he walks over the bodies of even his closest friends. . . . For the sake of the great ultimate goal he must even be able to endure appearing temporarily to the majority as a traitor to the nation. . . . The legislator, proceeding with awe-inspiring harshness, shrinks from nothing. . . . The traducers of the people are sent into exile. A terrible day of judgment dawns for the traitors to the nation before, during and after the war. . . . He knows the nations and the individuals who wield influence. As the occasion may require, he is capable of bringing down hob-nailed boots, or of spinning threads into the far Pacific with cautious, sensitive hand. . . . In any event, the treaties of enslavement fall. Some day it will arise, this Greater Germany that shall embrace all who are of German blood.

These were the words of Hess, written in 1921.

The final sentence enunciates a program that is clear and complete. All men of German stock are to be brought into a Greater German Reich. That is the classic doctrine of the Nazis. They obviously have abandoned it since 1938, subjugating one alien nation after another and proclaiming their intention of exterminating them or at least arranging for them to die out. Did Hess object to this violation of the original doctrine?

In a philosophic sense, Hess is the born leader of Fifth Columns. Natural inclination draws him into this field. That was why he was a member of the Thule Society. Later he was for many years head of the so-called "Intelligence Division" of the young Nazi Party, a euphemism for "Espionage Division." No wonder Hess and Hitler drew close to each other so quickly. Hitler, the politician, likewise issued from the espionage service. In 1919–20 he was a member of the intelligence section of the Reichswehr in Munich with the job of watching the political parties. It was by this route that he first entered active party politics.

The fact that Hess was taciturn and for two decades subordinated himself completely to Hitler does not imply that he was either a dreamer or a shrinking violet. On the contrary, he was always the man for the most foolhardy missions. When Hitler's beer-cellar *Putsch* in 1923 had failed, he sought in desperation to save himself by a bold coup; and the man who was charged with the chief responsibility was Hess. Hitler contemplated retir-

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ing with his private army from the city of Munich to the foothills of the Alps. There in the sparsely settled countryside he intended to carry on the fight against the government troops with the help of the radicalized peasantry. Two high government officials who had fallen into his hands were to be taken to a safe place as hostages. It was Hess who carried off the two officials by car into the mountains. On the way he had them get out several times, pretending that he was about to have them shot. This all was merely to terrorize them. In the end Hess himself became frightened. Things had gone badly in Munich. The retreat to the Alps had not come off; there had been shooting; Hitler's private army was in headlong flight; he himself had possibly been killed. Such was the form in which the dreadful news reached Hess. He left the officials to their fate and crossed the near by Austrian border. Months went by. Hitler was not dead but in detention, hinting mysteriously and dramatically at suicide. His friends busied themselves in the government offices. Hints were dropped to those who had fled that the forthcoming trial would be mild and that it was better to surrender to the courts and suffer a light sentence than to have to avoid Germany for an indefinite period of time. One of the fugitives, Göring, nevertheless did not dare return and remained abroad for some years. Hess came back and together with Hitler was incarcerated in the comfortable house of detention at Landsberg on the Lech. There, after breakfast and a morning walk in the garden, he sat down at the typewriter while Hitler dictated "Mein Kampf" to him.

Not that Hitler merely pondered and spoke, while Hess only listened and wrote. Looking up from his typewriter, Hess would pass along certain ideas in reply to his *Führer's* questions. "How would you express that, Hess?" "Make a suggestion, Hess." And Hitler, his membrane-like intellect responding to every powerful wave, became, by way of the instrument Hess, the mouthpiece for the world-political dreams of a Munich professor. This professor was the former General Karl Haushofer, before the first World War German military attaché in Tokyo, but at this time teaching a new science called geopolitics at the University of Munich. In his mind geopolitics meant the doctrine of geography as the technical method for achieving future German world dominion. Hess was a student of Haushofer's, who visited him in prison. Hitler and Haushofer came to know each other. There was an extraordinary amount to be learned from Haus-

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hofer. Here are just a few of his most important views: Modern inventions have completely transformed sea war. Even the German U-boat warfare of 1914 came close to decisive success. The airplane has completed the transition of the classic giant fleets, battleships and cruisers, to scrap iron. Sea power is no longer the decisive element in a struggle between Great Powers, but instead control of the vast land spaces. Whoever controls the continents will defeat — and pretty quickly, too — those who control merely the high seas. The existing "Great Powers" Haushofer regards as rather transitory structures, and in particular he anticipates the disintegration of the British Empire. The formation of a European-Asiatic continental empire (Eurasia) under German leadership is the task of the present generation.

These are some of the views of the man who taught Hess, and, through Hess, Hitler. When both were released, late in 1924, Hess entered the service of his teacher Haushofer as an assistant. In 1925 Haushofer founded an institute called the German Academy. Officially it was (and is) an institute for "Research in Germanism," cultivating intellectual relations between the fatherland and German groups abroad — from the Caspian Sea to the Mississippi, and beyond. Scientific commissions traveled throughout the world, studying the languages, customs and lives of these groups. Speakers were sent out to deliver lectures in Ohio or southern Brazil on the Pan-German Idea. All these German splinter groups were formed into a kind of Teutonic International. It became Hess's life work to mobilize it in the struggle to possess the world. But before he reached that point he had to serve seven years as the least known of all Nazis.

When Hitler reëstablished his party in 1925 Hess left Haushofer and became Hitler's private secretary. In this capacity he directed what Hitler called his "Private Chancellery." What this meant was that Hitler, a man who shuns regular work, sat in his mountain chalet near Berchtesgaden, brooding over the second volume of "Mein Kampf," or even doing nothing for days at a time; while meanwhile Hess in Munich, behind the padded doors of Hitler's study, played the *Führer*, attending to Hitler's correspondence in Hitler's own name and if necessary even imitating his signature. By Hitler's side, and as Hitler's deputy, he came to be something like the maternal head of a family consisting of Hitler's most intimate followers, some of them from the early days of the Party, and mostly men who are little known. In addi-

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tion to Hess, they included Baldur von Schirach, later to become youth leader; the adjutants Brückner and Schaub; the late chauffeur Schreck, who dressed up as Hitler's double with mustache and lock of hair; the photographer Hoffmann; and Bouhler, the Party's business manager. It is — or perhaps one had better say today it was — a circle of men in which each, cabinet minister or chauffeur, felt genuinely equal to the other. The circle was small and powerful, and Hess was its head.

As late as two months before Hitler became Chancellor, the general public regarded Hess as the young man who on Hitler's travels telegraphed ahead to reserve hotel rooms — his job seemed as insignificant as that. Suddenly, after an inner party crisis that almost put an end to Hitler's entire career, Hitler appointed his private secretary his deputy in the Party leadership. That was in December 1932. At the time the Nazi movement seemed to be disintegrating. Many followers deserted, bankruptcy threatened, Hitler's most important lieutenant, Gregor Strasser, left him, and others were sorely tempted to follow suit. But Hitler managed to get the better of the crisis, appointing his private secretary head of the Political Central Commission of the Party. Later he was given the official title "Deputy of the *Führer*." That does not mean, as is often assumed, deputy head of state. The word *Führer* in Hitler's official title means that he is the leader of the Nazi movement, which is officially thought of as the carrier of political power in Germany. Hess was second to Hitler as Nazi *Führer* rather than as Chancellor of the Reich.

The old Party leaders, some of them already known the world over, had difficulty in becoming accustomed to the sudden omnipotence of the young man. Men like Frick, Strasser, von Epp and Feder did not worship Hitler as unconditionally as a somewhat later generation that consisted solely of his creatures — Himmler, Ribbentrop, Goebbels. One day when Frick, a cabinet member and one of the Party's oldest and most unbending members, rejected a criticism offered by the young private secretary, Hess drew out of his pocket a document in Hitler's own hand vesting him with blanket authority and stating that his orders were to be obeyed as though they issued from the *Führer* himself.

When Hess in this way had overnight become his *Führer's* deputy, he asked himself what the reasons were. He decided that he was one of those characters whose rise is due to native ability.

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He definitely rejected the designation of careerist. He wrote down the result of this self-analysis and had it printed in December 1932 in the Party paper, the *Völkische Beobachter*. It read: "The careerist is opposed by the character who rises by ability. The latter does his duty irrespective of career or careerist. He may even cultivate social life, if he likes to do so, dance, love, spend his evenings at smokers, marry — indeed, everything, but never for the sake of his career, at best for the sake of the cause he serves." Evidently Hess did not bar the possibility of one's throwing oneself away for a practical reason. But when Nazis speak publicly in terms of character and talent they almost invariably imply a slap at one of their dear comrades; and thus Hess's words also contain a barb directed at Göring.

Yet Hess truly placed the success of the cause he valued so highly above everything else, including the success of his own person. That person, however, was not really Rudolf Hess so much as Adolf Hitler, to whose personality his own fitted like an iron lung. He could say calmly in public when speaking of Germany's collapse in 1918: "For Adolf Hitler the revolution of 1918 was in a way necessary and providential, for despite its criminal leadership, it cleared out many remnants of an obsolete age — remnants that would later have made trouble for the Nazi revolution. At the same time the revolution of 1918 carried in its wake such evidences of decay that, in a psychological sense, the way was paved for the harsh curative measures of the later Nazi régime." At least he admitted that its measures were harsh. Once, writing of Hitler's unsuccessful coup of 1923, he confessed that it was better that Hitler had not come into power then, "for at the time the people were not ripe for National Socialism, nor was the Nazi leadership ripe for leading the people."

Hess at all times was well aware what an undisciplined gang he was leading and even apologized for it — a great movement never attained its goal without criminals and crimes. His public admission of this was made with a certain measure of circumlocution. "In the fight against Marxism," he said in 1934, "the leaders cannot be picked for their social acceptability and respectability in the bourgeois sense. It is a well-known fact that often in the field men particularly distinguish themselves who are anything but fit for normal peacetime civil life. Companies at the front were glad, in moments of crisis, to have such figures at their service. I know that here and there in the ranks of the Nazi leadership are

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some who, it is said, had better be put out of office. But I know also that these leaders have been tested in the bitter years of struggle — more than that, that they are in large part responsible for our success."

The Nazi success bears evidence indeed of the truth of what Hess more than hints at about these "figures." And he certainly ought to know, for in the early years of his political career he was, as already noted, at the head of the Party section where questionable characters clustered most closely. Questionable characters? To put it bluntly they were murderers. Murders were plotted, arms for the murders provided, killers spirited abroad after the deed in order to save them from the police. Hess never had to answer for such activities in the courts, but many of his friends did — Klintzsch, Heines, Neunzert, Bally, Schweikhart. The Nazi Party owes much of its growth to the political assassination of its rivals and enemies. Hess was merely honest when he later professed loyalty to the murderers, even if he used the euphemism "figures."

Though one of the less repulsive figures in the gang, Hess was (and surely still is) one of the most determined intellectual henchmen of the system. They themselves call it revolution. "Adolf Hitler," Hess said in 1934 to the impatient storm troopers, "is the great strategist of the revolution. He knows the limits that can be attained at any given moment with the available means. He acts after cold calculation — often apparently serving only momentary considerations, but always looking far ahead to the distant aims of the revolution. The revolution is his very own child."

The revolution is, of course, world revolution. Once Hess had merely run the intelligence section, the secret conspiratorial center of the Party. But in 1933 one of the most important levers of the engine of Nazi world revolution came into his hands — control of the so-called *Auslandsdeutsche*, those fragments of the German people who are scattered all over the world like magnetic mines. Hess had spent years in the German Academy of Professor Haushofer studying how to explode such mines. Now the long period of study was turned into practice. Even the United States was given samples of the tested methods of the grand old days of the intelligence section, including murder and kidnapping.

One of the most important creations of Hess was the reorganized *Auslands Organisation*, the foreign office of the Nazi Party. Theoretically, only German citizens living abroad are under its

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jurisdiction, but these run to many millions, and in Nazi hands they form a terrible weapon even though many of them have no wish to serve as such. One of the basic tenets of Nazism is that a resolute minority can always win over a lazy and cowardly majority; and that this minority of the most resolute and courageous spirits is to be discovered by setting it tasks as difficult and hopeless as possible. A "crazy" mission such as the overthrow of the government in some American nation and the seizure of power there can attract only the most daring and unscrupulous characters. It stands a chance of success in the degree that it is promoted by a leadership prepared for anything. This was the principle on which Hess organized the Nazi cells abroad.

The other part of the Nazi mine-field scattered over the world consists of the *Auslandsdeutsche* proper — citizens of foreign countries — of German descent. American readers need not be told how difficult a problem they present to the countries of their adoption. As a whole, they are certainly not Nazis. But Hess has mobilized them, at the least in spirit. He was their spokesman in Germany, and the spokesman of Nazi Germany to them. He organized a world-wide campaign of radio propaganda to capture them; he greatly expanded the old "Institute for Germans Abroad." Presumably he was one of the Nazis to suffer most profoundly when Hitler chased the Baltic Germans back into the Reich and surrendered the Baltic countries to the Bolsheviks.

As is well known, some of the best fighters in the Fifth Column are always eminent citizens of the countries to be attacked. Hess recognized this and acted accordingly. He made systematic attempts to win the so-called "élite" of foreign nations to the service of Nazi policy.

The whole concept of the élite has been reinterpreted by the Nazis for their own purposes. There are different élites — the most intelligent, the richest, the best educated, those descended from the best families, the physically fittest. Everyone who fits into one of this series of different groups may, if he wishes, regard himself as a member of the élite. In every nation the representatives of the Nordic race belong to the élite. They are supposed to be found everywhere, even among the Chinese and Japanese. The Chinese Manchu emperors and the Japanese knightly class of the samurai belong to the same race, descended from the Arctic regions, which has furnished all nations with their intellectual and political leaders, and from which stem Aeschylus, Dante, Michel-

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angelo, Shakespeare, George Washington, Adolf Hitler and Rudolf Hess. Well, it was this international Nordic élite that Nazism sought especially to mobilize. Repeatedly Hess has tried to establish contact with foreigners that he considered to belong to this type, and to win them over to Nazi purposes. For a while he thought he would find his most useful collaborators in the war veterans organizations in the different countries, and tried to incite them against their governments. "The front-line veterans," he said in 1934, addressing himself to France, "are the ones to bridge the gulf between nations when the politicians fail to find the way." Ten years earlier he had written a poem describing his war experiences. In it he called out to the French: "You over there must die that we may live — we and our wretched people." But now, in 1934, he had a vision of a kind of international élite cutting across national lines and forming a common front against democracy and representative government. "We front-line fighters," he continued, in the speech mentioned above, "felt ourselves to be men of higher value than those who, far from the front, had nothing to do with the fate of the front. A Frenchman who was well acquainted with the people and politics of his country remarked to me: 'Have pity on us — we are still under parliamentary rule.'"

A similar thought may have lain at the bottom of Hess's flight to England. Personalities of the British élite were to be mobilized in order to force peace over the heads of their own government. The first peer of Scotland, a daring sportsman and pilot and, it appears, a man who originally harbored friendly sentiments for National Socialism — it was this representative of the British élite that Hess picked out as the recipient of his Messianic visitation. Needless to say the peace that Hess thought he was bringing could only have been a Nazi peace, even though it was to be a peace of complete Anglo-German understanding, and even though it was to be the result of a rebellion against Hitler. For it would have been a peace between Nazi Germany and a Britain that in its own way had become National Socialist.

One thing is sure. Hess has undergone no "change of heart" or "conversion." He is not a "repentant sinner." Hitler may possibly have disappointed him, but even this disappointment is likely to be circumscribed. His flight to England was in accord with ideas expressed time and again by Hitler himself in former days. The reconciliation of superior élites in all lands in the

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struggle against Judaism and plutocracy is one of the most important thoughts in "Mein Kampf." As so often happens, the disciple remained more loyal than the master. For let there be no doubt: in this relationship Hitler is the master and Hess the servant. The conjecture often heard that Hess is actually Hitler's brains is sheer nonsense. As far as his own innate resources are concerned, Hess is no personality at all. He reflects the light of the cause he serves. Nature endowed him with a precise and dependable intelligence, and with great willingness and energy. For twenty years she granted him obedience and loyalty, now so picturesquely shattered. She granted him the strength to keep faith with one man for twenty years. She granted him that man. For twenty long years Hess always said, "*Ja, mein Führer*" — one almost hears it as "Yes, Father." On occasion, his obedience, which was not lacking in diplomatic agility, was capable of steering the master it served into a certain direction. But in the main it consisted of divining Hitler's desires — expressing them, supporting them, promoting them. Did he perhaps imagine that on this occasion too he was reading and fulfilling Hitler's innermost wish — a wish so secret that Hitler would not admit it even to himself? Was he confident of extricating Hitler from an impossible situation? The gesture seems extravagant, yet it would entirely fit in with all that we know of the twenty-year-old relationship between the two. Hitler himself, in the dark reaches of his mind, is a weather-glass for mass moods, a sensitive indicator of confused political power relationships. Hess knew how to read the barometer. And, in turn, he was the barometer that indicated Hitler's moods and states of mind. He was the counselor who explained to his friend the things Hitler himself merely sensed. Without Hitler all of Hess's own qualities must become sterile and futile. He was Hitler's servant. One can think of nothing else for which he might be useful.

The relationship was more than one of close confidence. The two men had grown together into a dual personality. Their mutual frankness ignored customary restraints. Hitler rehearsed his speeches with Hess; he even rehearsed entire conversations before they were held. Hess — the mind that was, so to speak, grafted upon Hitler — became productive only through the medium of Hitler. He was not the *Führer's Führer*, but a catalyst. Hitler's store of knowledge has always been limited, but he has used up much knowledge. He never got a firm hold on a vast

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background of facts, but he let them pass through his mind, whence the parts that were useful to him issued in the form of demagogy, orders, plans. He dislikes burrowing in books but he is fond of lapping facts up from people whom he tortures with endless questions. In his naïve thirst for knowledge, heedless of its limits, he silences his friends in the end and dismisses them with the triumphant smirk of the ignoramus: "There, you see, you'll have to give more study to that question." Hess was a good partner for such conversations.

In some way Hitler has gone further than Hess had expected. With all his hero worship, Hess does not seem to have wished to see his friend end in the rôle of a demoniac Lucifer. He thought of Hitler in terms of greatness, as is proved by the essay mentioned earlier, written at a time when Hitler was yet to become Germany's *Führer*. But the description of Hitler from the pen of Hess ends on a curious note: "The work must not be tailored to the towering proportions of its builder, else the whole will totter when he passes away, as did the States of Frederick the Great and Bismarck. New and independent personalities, who might in the future lead the steed of the remounted Germania, do not thrive under a dictator. That is why he achieves the last great deed: instead of savoring his power to the dregs, he lays it down, standing aside as counselor and mentor." Was it a wish, a counsel?

In truth, Hess can be said to have remained more loyal to Hitler than Hitler himself. For these thoughts of Hess about voluntary abdication at the height of power were once shared by Hitler. It was to Hess that he indulged his fancies of how glorious it would be some day to retire to private life; and Hess in all likelihood merely wrote down what he heard from Hitler's own mouth. At some point he must have become aware that their ideas of the future had begun to diverge. Perhaps it was years ago. In the spring of 1934 Hess built himself a house near Munich. Hitler came on a visit of inspection. Hess gave voice to his dreams — this had always been his desire, to die an independent man in his own home with a view of the glorious Bavarian Alps. Whereupon Hitler replied in stern tones, a soldier significantly appealing to Hess's warrior spirit: "But Hess, we shall die in quite a different place!" Hess was startled out of his reverie. With restless, unhappy eyes he said: "*Ja, mein Führer.*"

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# AGRICULTURAL SURPLUSES IN THE POSTWAR WORLD

*By Leslie A. Wheeler*

THE eight-point statement signed at sea by President Roosevelt and Prime Minister Churchill formalized, among other things, the conviction that if this war is to lead to a sounder relationship between the nations of the earth, then international trade must be so regulated as to minimize destructive economic rivalries. Their statement also suggested that it is not too early to begin planning now for the peace to come. And, in fact, both governments are beginning to plan.

The objective, of course, must be to find the way to make more of the world's goods available to more of the world's people. Any system of international relations which did not foster a constantly rising standard of living would be sterile and doomed to failure. Paradoxically enough, however, along with problems of deficiency must be considered problems of surpluses, and especially of surpluses in agricultural products. In the past, these have played a leading rôle in sustaining economic rivalry between nations and in depressing living standards in the exporting countries.

Almost every product is at some time or other in surplus supply. Most such surpluses are of a temporary, or even seasonal, character. At the present time many are the result of war blockade and lack of shipping. But there are certain crops of first importance in world trade which may be considered chronically in surplus, which have become a regular economic problem in the producing countries. The most important of these are wheat, cotton, sugar and coffee.

As the United States is normally a major exporter of wheat and cotton an important decision is involved. We have made it one of our national policies to raise and sustain the incomes of our farmers, and to assure them against falling prices. As a result, our own domestic prices have risen well above world prices. This makes it difficult or impossible for our farm products to compete in the export market. We must therefore decide whether we wish to withdraw from foreign markets and isolate ourselves from the main currents of world trade. The alternatives to this course are either to join with other nations in coöperative measures to share the world market and to maintain prices at reason-

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able levels, or, after the war, to embark on a competitive race for whatever world markets may exist.

Moreover, the two other commodities in question — coffee and sugar — concern us directly, both because we are a major importer of them and because we are interested in seeing that the Latin American nations are economically healthy and that relations between them are not jeopardized by destructive trade competition.

The logic of the situation seems obvious. If we are to help shape the peace we cannot follow a policy of either trade isolation or cut-throat competition.

The idea of international collaboration to regulate trade in the four surplus products is not new. There has been some trial and error experimentation, and as a result there is general agreement on certain broad principles.

## II. WHEAT

The curtailment of the world wheat trade as a result of the war has aggravated a problem, the beginnings of which reach back to the first World War. Due to reduced European wheat production at that time the United States and Canada greatly expanded their wheat acreage. By the late 1920's, Europe had more than regained its war losses, and the annual world wheat crop was, on an average, well above consumption.

Wheat is exported chiefly by four nations — the United States, Canada, Australia, and Argentina — though there is some production for export by the Danubian countries, Russia and others. For the year beginning August 1940, shipments by the exporting countries are estimated to be about 30 percent less than the average for the preceding ten years. Consequent increases in stocks in Canada, the United States, and Argentina, together with above-average yields this year, will bring the wheat stocks available for export in the four major exporting countries to something like 1,500,000,000 bushels by July 1942. That is to say, there will probably be carried over into the next crop year an amount equal to a full year's production for the exporting countries and over two years' normal requirements of importing countries. On top of these vast stocks will be piled the export surpluses from the 1942–1943 harvests. There is simply too much wheat. Even if a most liberal policy of relief distribution should be adopted at the end of the war the problem will persist.

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The United States has for several years had a program of acreage restriction; Canada has had marketing quotas and recently adopted a plan for acreage reduction; Australia has a marketing quota system the effect of which is to reduce production; and Argentina is considering means of reducing acreage. More or less continuous efforts have been made to deal with wheat internationally ever since 1930; and an international agreement was reached in 1933. It soon encountered difficulties, however, largely because it lacked effective means of control. On the other hand, a series of extraordinary droughts in Canada and the United States reduced production and relieved the surplus pressure temporarily. As surplus stocks again began to grow in 1938–1939, the Wheat Advisory Committee, established in 1933, met in London to draw up plans. The meeting seemed close to agreement when the war broke out and it became necessary to adjourn the discussions.

In July of this year an international wheat meeting convened in Washington, with delegates from Australia, Canada, Argentina and the United States, the four major overseas exporters, and the United Kingdom, the largest wheat importer. This meeting drafted the first major international commodity agreement written in anticipation of postwar needs. The draft agreement was referred back to the several governments and the meeting is expected to reconvene about the time these lines appear in print. Discussions were on a considerably wider basis than they ever had been before and the delegates expressed the hope that "by the establishment of an ever-normal granary and a large pool of relief wheat, the consumers of the world may be guaranteed abundant postwar supplies at prices reasonable both to them and to producers and free of charge to those in need of relief."

The delegates of exporting countries recognized the necessity of controlling production in order to prevent stocks from rising above the present record high level, as well as the need for an equitable sharing of world markets. The meeting also recognized that the wheat surplus problem in the overseas areas would be considerably eased if European and other importers reduced their own emphasis on wheat production. Several former large scale importers in continental Europe have for years sought to attain self-sufficiency in wheat. They have artificially stimulated and maintained high-cost and inefficient production by

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direct subsidies, prohibitive tariffs, import quotas and mixing regulations. In this manner exporters of low-cost high-quality wheat lost over one-fourth of the world market. The meeting agreed that when the war is over there will be urgent need and opportunity for agricultural reconstruction in Europe. It suggested the desirability of reconstruction in terms of reducing wheat production and increasing production of the so-called "protective foods," chiefly dairy products.

### III. COTTON

World cotton producers are faced with one of the most critical situations in their history. Huge stocks were carried into the current marketing season and prospective supplies continue far in excess of world requirements. Due to a variety of circumstances the cotton surplus has developed over a long period of years. There has been an increase in total world production and also a shrinking of the international market. This decline in world trade is accounted for in part by increased cotton production in some countries which formerly imported substantial quantities. But it was due chiefly to increased production of synthetic substitutes in the importing countries.

The development of today's critical situation had its inception in the depression following 1929. Between 1932–1933 and 1936–1937 it was temporarily alleviated by acreage control measures in the United States and by increased world consumption. Meanwhile, however, cotton acreage and production outside the United States increased rapidly.

In 1936 and 1937, however, came the Supreme Court decision invalidating the acreage control provisions of the original Agricultural Adjustment Act. As a result of this and of favorable growing conditions, the United States crop for 1937–1938 reached an all-time high. In the same year, production outside the United States reached a near-record high. Meanwhile, the business recession in the United States and disturbed conditions in other areas caused a decline in consumption. As a result, the carry-over in the United States into the 1938–1939 season was double that of the preceding year, reaching 11½ million bales. The world carry-over into that year increased to 22⅔ million bales.

In the following year production declined sharply in the United States, where control measures were again in effect, and to a lesser extent in other countries, but no significant reduction was made

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in the huge accumulated stocks. The effects of the war were not immediately apparent. In fact, for a few months world shipments showed a substantial rise. But by the second year of the war the European market for 5,000,000 bales of cotton annually had been lost. As this is written, the world has accumulated nearly a full year's supply of cotton; and a new crop, much in excess of current consumption, is at hand.

There have been several international meetings to consider the cotton surplus problem. The delegates at one which met in Washington in September 1939 agreed that "regulation of world cotton supplies in relation to demand would help materially in improving the existing unbalanced condition," but stated that the war made arrival at an over-all agreement impossible. They recommended creation of an International Cotton Advisory Committee to watch world developments in cotton and to suggest to the several governments any measures deemed suitable and practicable.

One reason why there has been no agreement until now — apart from the uncertainties of war — is the fact that the United States is the only cotton-producing nation which has had a large annual carry-over. Until recently other exporting countries have usually succeeded in disposing of each year's surplus within the marketing year. However, the war has aggravated the cotton problem in other exporting countries even more than in the United States, where acreage is limited and consumption has now reached record levels. There also remains the fact that the huge stocks held in the United States will have to be disposed of eventually in some way. For all concerned, international action would appear to be desirable, both to secure an orderly disposition of stocks and to achieve a permanent stabilization of the world cotton market.

### IV. SUGAR

The situation in the world sugar market for the 1940 marketing year was dominated by the fact that Great Britain, ordinarily the largest buyer of sugar in the free world market, was unable to take anything like its normal imports from abroad. The world supply of sugar for that year was in consequence the largest on record. Sugar production for marketing in 1941 is substantially the same. Carry-over stocks of sugar in 25 major countries were increased at the end of the 1940 season to close to 7,000,000 tons, compared with 5,000,000 a year earlier.

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The sugar problem, like that of wheat, can be traced to the World War. Then there was considerable fighting in the European sugar-producing areas, and a severe world shortage developed. But a year or two after the end of the war the effect of expanded production in areas where cane sugar is raised began to be reflected in excessive supplies and lower prices. Moreover, nearly every important consuming country adopted a program of self-sufficiency in sugar. As a result, production expanded steadily in some countries which once had been important importers.

At the start of the European war in 1939 the little trade remaining between European countries and the rest of the world was practically cut off. Most of Europe, anxious to conserve exchange and shipping, immediately began rationing sugar and increasing production. This had the effect of piling up stocks still further, so that today there is more sugar in the world than ever before.

When the sugar surplus became critical in 1930, there was discussion of an international regulatory agreement. Indeed, one was signed in 1931 by seven of the principal exporting countries (actually by national sugar corporations), later joined by two others. Known as the Chadbourne Plan, this agreement seemed to improve the sugar position for about two years. But it lacked effective controls and effective commitments by importing countries, and by the time it lapsed in 1936 the situation had become worse than before.

After an exploratory period, an International Sugar Conference convened in London in 1937. Twenty-three nations participated and of these all but one ultimately signed an agreement. Together they represented about nine-tenths of both world production and consumption, and practically all of the international trade in sugar. Export quotas were agreed upon among the exporting countries. During the first sugar-quota year, it became apparent that the price of sugar would not rise to a reasonable level without curtailment. That was accomplished by a five percent all-around quota reduction, and by the voluntary release of quotas by various countries. While this did not raise prices much, at least it prevented them from going still lower.

At the beginning of the second year similar action was thought necessary. But it later developed that changes in the production situation of various countries, plus a wide tendency to accumulate war reserves, had expanded the market. So releases were restored

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to practically all of those participating governments which were in a position to fill their quotas, and the price of sugar, which had risen considerably, was prevented from rising further.

The agreement has, of course, been hampered by the new situation created by the war. However, it has been shown that regulation of the international trade in sugar is feasible, and prewar experience may be drawn upon to produce more effective regulation in postwar years.

### V. COFFEE

Since 85 percent of the world's production comes from the Americas the problem of the coffee surplus belongs almost entirely to this Hemisphere. It is a serious one. Production in the Americas now averages about 28,000,000 bags annually — a figure which does not include the 10,000,000 bags a year which Brazil destroys. On the other hand, the total effective import demand is not more than 17,000,000 bags, of which the United States demand represents about 15,000,000 bags. This unbalanced situation represents a serious threat to the well-being of several American nations, large and small, who depend on coffee exports to obtain exchange. A number of the smaller nations, such as Costa Rica, do not contribute a very large part to the production total; but coffee exports nevertheless represent the most important item in their trade.

Brazil, as the largest producer, has tried various measures to achieve stability, most of them single-handed. The thing that has worked best, unsatisfactory though it is, has been the outright destruction of a part of each year's crop simply in order to maintain the price. In nine years Brazil destroyed 70,000,000 bags of coffee. During this same period, thanks to Brazil's policy, the other American producers were generally able to dispose of their whole crops.

But the war left the American coffee exporters with little more than the 55 percent of their market represented by the United States. The Brazilian program could not withstand such a blow, and it soon became obvious that the coffee-producing nations would have to seek a way of protecting the remaining portion of their coffee trade against destructive competition.

The Inter-American Coffee Agreement was signed in Washington late last year by representatives of 14 Western Hemisphere producers and the United States. Among many provisions the

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most important are those establishing quotas. Three basic sets of quotas are provided: a distribution of a fixed portion of the United States market among the Hemisphere producers; a distribution of the exports from the American nations to the rest of the world; and a distribution of a small part of United States imports to sources outside Latin America. Thus the Inter-American Coffee Agreement provides not only for export quotas, but also arranges that the largest consumer, the United States, shall make enforcement effective by the strict regulation of imports according to quotas.

The machinery is designed to operate in normal times, but it also has served well to avert serious dangers during the war crisis. Through the summer of 1940 prices remained among the lowest on record. Coffee planters faced bankruptcy, and the exporting nations were being deprived of foreign exchange which they needed vitally if they were to maintain the value of their currencies and continue the import of essential commodities. The market situation began to improve as soon as the negotiations began; and subsequent price rises mean an increase in value of over 25 percent for most Latin American green coffee sent to the United States. Due to more or less fixed charges involved in coffee distribution and selling, however, the percentage increases in retail prices will be substantially less. The United States will share in the benefits of the agreement through increased sales of goods to Latin American countries.

While the present coffee agreement is a forward step, there is room for improvement. Strengthening measures may well be sought in future years. Even within the first few months of operation, the Coffee Board, the agency created to operate the agreement, has had to revise the United States quota upwards both to guard against the possible shortage of shipping space and to check excessive price increases. What seems to be a basic weakness is the absence of any commitments to positive limits on production. It is difficult to see how a permanent adjustment of any crop can be achieved until production is held somewhere near the world's total requirements.

## VI. A WORLD-WIDE "EVER-NORMAL GRANARY"

The preceding review of the recent history of the four major agricultural surpluses which enter into world trade leads us to four general conclusions.

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First, even before the present war there already existed a marked lack of balance between the quantities produced for export by the exporting countries and the quantities the importing countries were willing or able to take.

Second, efforts had been made by individual exporting countries to control the situation by reducing production or market supply within their national boundaries (*e.g.* cotton in the United States, sugar in Cuba, and coffee in Brazil); but such individual efforts were offset by increased production in other exporting countries and in importing countries as well.

Third, numerous efforts had been made, with varying degrees of success, to regulate trade in surplus commodities in an international way; and in two cases, sugar and coffee, international marketing agreements had actually been negotiated and put into effect.

Fourth, the war has greatly aggravated the situation affecting these chronic surpluses. Huge stocks, out of all proportion to the amounts that move normally in international trade, will be piled up in the exporting countries when the war ends. To throw these stocks on the market would be disastrous.

There are three possible courses which the nations of the world might follow after the war in attempting to deal with the surpluses in question.

The first is what might be called the laissez-faire approach. An effort would be made to liberalize world trade policies in general, with the expectation that a rising total of world trade and a resulting rise in the standard of living would, in due course, increase consumption and thus work off the accumulated surpluses. This follows the traditional pattern of free trade governed only by laws of supply and demand. But it is altogether impracticable. In the first place, it ignores the lack of purchasing power that will exist in the importing countries after the war. Secondly, it ignores the degree to which government control over foreign trade was increasing before the war and has further increased during the war.

The second course would be for each country with an export surplus to take individual action in securing as large a part as possible of whatever world market may be available. This is the course which has been largely pursued up to the present time. It has resulted in trade rivalries, trade wars and a generally unsatisfactory market situation. It is entirely inconsistent with any scheme of international collaboration.

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There remains a third course — to pursue aggressively, now and in the postwar era, a common policy of international coöperation to deal with the major surplus problems. It is the only approach which is consistent with a general plan for international coöperation. It also takes account of the fundamental fact that governments are now, and after the war will certainly be, heavily involved in the ownership of a considerable part of the excess supply, a fact which makes postwar intergovernmental coöperation in this field more feasible.

True, this course has been tried before, and it has failed more often than it has succeeded. But the governments concerned have drawn lessons from the failures and are better prepared now than ever before to draft agreements that will work. There is reason to believe that through international commodity agreements we can succeed in balancing production and consumption, sharing equitably among the exporting countries the available import demand, assuring importing nations of adequate supplies and establishing prices that are fair to both importer and exporter.

These are the basic principles of an "ever-normal granary," for several commodities, on a world scale.

### VII. THE OBJECTIVE: REGULATED PRODUCTION

It would be highly satisfactory for all concerned, of course, if this international collaboration resulted in an immediate increase in consumption to or above the world's production. But the demand for wheat, cotton, sugar, and coffee is relatively inelastic. Price fluctuations have resulted more from varying supply than varying demand. This does not mean that all of the world's people have enough of these things; obviously many do not.

Nevertheless the barriers to a greater consumption of these four basic crops are not easily surmounted. The consumption of such things as meat and dairy products rises and falls with the indices of wages and employment. These four surplus commodities, however, are not so sensitive. The best evidence and experience indicates that even if the total existing world supplies were dumped on the market, and prices were allowed to tumble far below production costs, there would not be a corresponding increase of consumption, and consumers would eventually suffer along with the producers.

No government which represents the people could justify a national or international effort to achieve stabilization by limiting

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production or supply in a way to deprive its own or other people of necessary food and clothing. However, an international effort to regulate trade in the four surplus crops would not have that effect. It simply would try to adjust supply to effective demand, to maintain adequate reserves at all times, and to adjust production upwards as rapidly as consuming power can be increased.

The democratic Powers recognize that the end of the war will herald an immediate and critical need for food in the war-stricken areas, and they are planning the organization of relief machinery to distribute to those in need all of the essential foodstuffs that can be assembled and shipped. The giving away of large quantities of food will, to some extent, relieve the pressure of the surpluses; but even this distribution, taken with the postwar increase in ordinary commercial demand, will not suffice to use up accumulated stocks. If, at the end of the war, the fields in Europe and elsewhere are returned to the cultivation of the same crops, the surplus problem will soon be worse than ever before.

The objective must be, then, to achieve a balance by adjusting supply to demand. The available world market must be distributed fairly among the exporters, and the exporters must agree to limit the quantities which they place on the world market.

Experience in the United States and elsewhere has shown that governments can, within limits, control production so as either to increase or decrease acreage in relation to anticipated demand. If world production is to be brought into balance with supply, it must be by the collaboration of the producers. Recent history demonstrates that there is little point in a single nation attempting to control production so long as others are free to expand.

Of course, such a program would mean for many countries a very considerable agricultural readjustment. But in this connection it should be remembered that only a few agricultural products are chronically in surplus and that hundreds of other crops have never been produced in sufficient quantities. Some nations have sought to become rich by producing only export crops on their lands. They could well increase their production of protective foods, subsistence crops, which their own people need. Every country in the world, including our own, has failed to provide its people with adequate nourishment. There is room and need for a vast increase in over-all agricultural production as part of an economic and social readjustment which will bring new good things within the reach of all people.

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However, some countries may encounter difficulties in negotiating international commodity agreements which embody effective commitments to reduce and control acreage in surplus crops produced for export. One way to overcome them would be for each exporting country to accept definite export quotas and to agree to hold reserve stocks below a fixed maximum. Thus, a part of each year's harvest would be utilized for domestic consumption and the stated amount exported. Any balance would go into the reserves, unless reserves were at the maximum. In that case, the signatory nation would be obliged to dispose of the balance in some other way: through increased domestic consumption, by such methods as feeding to livestock in the case of wheat, by relief distribution, or by destruction. There thus would be developed an economic pressure leading to some form of production control.

There need be no great difficulty in negotiating export quotas. Admittedly the big producers have the most to gain by an agreement and can best afford to accept export quotas which may require that they curtail production. But the small producers must be brought into the agreement, and their quotas might be fixed at somewhere near the quantities which they normally have available for export. Instead of being asked to curtail production, they may merely be asked not to increase it.

It is essential that the consumers — the importing nations — participate in the negotiations and in whatever regulatory machinery is established. Their interests are involved, for they will suffer if production is curtailed too much or if prices go too high. Through participation they can safeguard these interests; and they can also do much to make the agreement effective, by consenting to accept import quotas and to refrain from buying from a signatory nation after that nation has fulfilled its export quota for a given year.

Such sanctions, to be applied by importing nations, are of special importance if any producing nations fail to subscribe to the agreement, for if these non-signatory producers are not checked by the importers the whole agreement falls to the ground. The same kind of pressure may be needed to deter signatory nations from breaking away from the agreement to seize a temporary advantage.

Commodity agreements must be flexible enough to meet changing conditions. In the past, they usually have embodied a number

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of general principles, and have then created councils or international secretariats to function under the terms of those principles. The secretariats usually have had power to adjust quotas, within set limits, so as to counteract the effect of expanding or contracting markets or of rising or falling prices. They receive the export and import data currently from each nation, and make sure that each stays within its quota.

In the past, plans for commodity regulation have usually stopped at this point. But it seems probable that in the postwar world tighter organizations will be possible. They may take the form of international corporations, or pools, which buy from producing nations and sell to the consumers, and which regulate surplus stocks on an international basis. In a sense, an international pool is merely an extension of the international secretariat, adding to its authorities the power to buy and sell. The idea is not entirely new or revolutionary. The International Tin Committee, for example, while it does not buy and sell all the tin which moves in trade, has in the past accumulated an international stock, held at the disposal of the Committee. Tin is sold when there is a sudden demand, and the money realized from the sale is used to buy tin if there is a slump in price.

If, under future commodity agreements, exporting nations agree to sell only to the pool, and consuming nations agree to buy only from the pool, any single nation will find infinitely greater difficulty in seeking to advance its own interests by entering the market as a free agent; and the danger that international rivalries and jealousies will ruin the agreement will be cut to a minimum. Moreover, such an arrangement would seem to provide a more practical means than the international committee of assuring that export quotas are disposed of as agreed and that the price objectives accepted are actually reached.

Obviously we can plan for the future only on the assumption that Hitler is defeated. This is not the place to argue the probability of that defeat. Should Hitler win, the logical course of action would be for the Americas to band more closely together economically and prepare to trade as an entity. This would seem to be the only defense at their disposal against the German tactic of using bargaining power to set one nation against the other. But, assuming a democratic victory, there seems to be little likelihood that the old world trade patterns, now shattered, will be rebuilt. The first World War made many changes. This one will

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affect the world's economy even more profoundly. The democratic Powers, at the war's end, will have an opportunity to build world trade on a new pattern, one that will offer more to all the nations economically, one that will work constantly for peace. The postwar unity of the democracies will be as important then as it is now. It must not be endangered by rival attempts to dispose of surplus stocks.

Now is the time to begin to plan and make the new organization. The measures that will be needed require time and detail to perfect. Time for careful planning will not be found when the nations come to the peace table. Moreover, the intimate relations that prevail between the democracies in wartime make this an ideal occasion for the kind of give-and-take negotiating that precedes international agreement.

Chief responsibility for initiating and organizing plans to regulate the postwar surpluses seems to lie with the United States and Great Britain. Together they control an important part both of the supply of, and the demand for, the four major commodities discussed in this paper. If there is a democratic victory, they will doubtless have a major part in the negotiation of peace terms. It therefore is incumbent upon them to begin now to plan commodity agreements which can become a part or a condition of the peace terms. At the present time negotiations would have to be limited to the democracies, their allies and friendly neutrals. Even so, it still would be possible to arrive at agreements covering up to 90 percent or more of the surplus commodities normally moving in international trade. Other importing and exporting countries could be brought into the agreements when the war ends.

There also is good reason for us to prepare now to make certain reasonable demands upon the Central European nations before they begin their task of postwar agricultural reconstruction. The problem of how to handle the world's wheat and sugar surpluses would be appreciably diminished if the inefficient and costly production of them could be limited or abolished. The people of the nations concerned would benefit from lower costs, and their fields could be used advantageously to remedy the deficiencies which exist in dairy products and other protective foods.

No one would seriously suggest that these war-scarred and weakened nations should be compelled to give up prewar cultivation patterns and then left merely with an admonition to produce

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something else. They are going to need help. But when we make our plans to give them financial and technical aid after the war, we should place emphasis on increasing their production of protective foods and discourage uneconomic efforts to establish trade isolationism.

If the democracies can agree on their trade objectives now, they can strengthen the morale of important sections of their own people. Those engaged in production and trade in wheat, cotton, sugar and coffee will feel that they have a greater stake in the victory if it promises a relatively stable market and a fair price.

To summarize, it seems clear that the present war is a clear challenge to the democracies to demonstrate that they are capable of regulating their economies and trade so as to attain progressively higher living standards and minimize economic rivalries and hostilities. Not to accept that challenge would be to confess that democracy cannot provide the answer either to poverty or to war.

The handling of agricultural surpluses is one of the major problems. The approach to it should be systematic, commodity by commodity. But the men who do the planning in wheat or cotton or sugar or coffee must be aware that their plans are but a part of a whole, and that the prices which they seek to establish must bear an appropriate relationship to the prices of other commodities in international trade. This is important. Permanently effective action cannot be taken in this field unless each step is related to every other step and to the whole. Indeed, it may be found impossible to work out an effective agreement on a single commodity without bringing to bear economic pressures from other points in the trade structure.

Sooner or later there must be a master plan to which all individual plans are adapted. That whole will be created out of the various parts. Among them will be international commodity agreements.

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# VICHY OR FREE FRANCE?

*By René Cassin*

BY the terms of the armistice with Germany and Italy which came into effect on June 25, 1940, the Pétain government laid down its arms without making any effort to exploit the still-intact resources of the great French Empire; and it broke the French alliance with Great Britain, embodied in the joint Anglo-French declaration of March 28 that neither nation would seek a separate peace.

When Marshal Pétain set up his government at Bordeaux on June 16, the British Government certainly entertained many misgivings. But it did not challenge the right of the new régime to represent the French people in international affairs. It merely recalled the British Ambassador and consuls, and tried to evacuate British nationals who would be subject to the dangers of the German occupation. A few weeks later, on July 10, the British Board of Trade, acting by virtue of the Trading with the Enemy Act, restricted trade with France. By that time the French Embassy in London had already been closed, following the naval battle of Mers-el-Kébir on July 3.

Meanwhile General Charles de Gaulle, who had been Under-Secretary of State in the Reynaud cabinet, had taken a decisive step. On June 18, the day after the announcement of Marshal Pétain's decision that France must lay down her arms, he denounced the mistaken idea of surrender and, speaking over the BBC, appealed to all Frenchmen to join him in continuing the war. As a matter of fact, many officers and soldiers had already made up their minds to fight along with the British, among them, for example, the commander of the submarine, *Narval*, at Malta, and all its crew.

Winston Churchill saw at once the immense political and moral value of General de Gaulle's move, and he promised British support to all Frenchmen who, either individually or collectively, decided to join de Gaulle and continue the struggle from British soil. Shortly afterwards, when it was obvious that no group of French politicians or statesmen was disposed or able to form a government of national resistance, either in France or in North Africa, the British Prime Minister wrote de Gaulle a letter in which he announced his policy towards him. "You are recognized

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by His Majesty's Government in the United Kingdom," he wrote, as "leader of all free Frenchmen, wherever they may be, who rally to you in support of the Allied Cause."

The process was carried further on August 7, 1940, when Mr. Churchill and General de Gaulle signed an agreement which has become the charter of the Free French forces. The British Government declared that it was resolved "when victory has been gained by the Allied arms, to secure the full restoration of the independence and greatness of France." On his part, General de Gaulle confirmed that "the French force now in process of constitution is intended to take part in operations against the common enemies (Germany, Italy or any other hostile foreign Power), including the defence of French territories and territories under French mandate, and the defence of British territories and communications, and territories under British mandate."[1]

It was agreed that the forces created and commanded by de Gaulle would keep their French characteristics, particularly as concerns discipline, language, promotion and outward appearance. French warships, as well as merchantmen, remained French property. The Free French forces would have priority in all matériel of French origin. British financial assistance for the creation and maintenance of these forces was to be regarded as loans. Nevertheless, de Gaulle recognized that basically his forces were part and parcel of the Allied armies. That is why he agreed that there should be a unitary high command and promised to accept decisions of the British War Cabinet concerning general strategy.

Volunteers who served under de Gaulle were thus recognized to be fighting "in the service of a State at war with Germany and Italy." Those Powers had tried to pretend that the de Gaullists were only guerrillas, or *franc-tireurs*, and therefore not subject to the ordinary rules of war when captured. This claim, aimed to intimidate the Free French, had been no more successful than it had been earlier when put forward to discourage Czech and Norwegian opposition. Now there was an added reason for Germany and Italy to observe the laws of war. They had to realize that as the British and Free French held numerous prisoners, who were being well treated, they had to accord similarly proper treatment to captured aviators of the Free French forces or subject their own men to retaliation.

[1] *Cf.* "Exchange of letters between the Prime Minister and General de Gaulle" (Cmd. 6220. London, 1940, 2d.).

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Recruits did not wait for the agreement of August 7 before rallying to de Gaulle. The original nucleus consisted of several thousand veterans of the Flanders and Norwegian campaigns who had been evacuated from Dunkerque or Narvik and were already in Britain. Many of them had been wounded, but their spirits were high. Their ranks were augmented by heroic young men who succeeded in slipping out of France. Others came later from all parts of the world. Some 30 French warships in English ports immediately rallied to the new cause — or, rather, the old cause. These were placed under the command of Admiral Muselier. The number of sailors rapidly increased. Bretons escaped across the Channel in their fishing smacks, and uniformed sailors came from French warships immobilized in distant ports. French merchant ships — some 60 of them, totaling over 400 thousand tons — followed suit. By the summer of 1941 the military strength of Free France consisted of about 50,000 white soldiers, sailors and airmen, plus 25,000 native troops. The navy totalled about 100 light vessels — for the most part escort vessels and minesweepers — plus a few submarines. And there were over a thousand airmen serving with the British.

These diverse forces could not have been welded together unless they had been activated by a common ideal — to save French honor, to defend the French Empire, to free France, and to give back their liberties to the French people. Frenchmen living abroad coöperated in the task. In a few weeks more than 40 national committees were formed in many different countries, often on the initiative of Frenchmen who had fought in the first World War. And certain French intellectuals whose thought and pen were still free helped form the psychological basis of the Free French movement.

Recognition of de Gaulle as the leader of the Free French forces is not the same as recognition of a Free French government. Nevertheless, it has had certain legal and political consequences. Thus when the Pétain government capitulated, French citizens resident in the United Kingdom lost their privileged status as allies, and became aliens. But adherents of de Gaulle could, following a preliminary examination, avoid the more severe regulations applied to aliens, *e.g.*, the necessity of remaining at home after nightfall, not changing their domicile without authorization, etc. Further, the Allied Forces Act (August 22, 1940) gave the commanders of Free French units on British soil

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administrative and judicial powers over members of those units, much as was done in the case of Dominion troops and the Polish, Czech and other foreign armies.

II

In June 1940 the French Empire consisted of five million square miles, scattered over four continents. Its population of 70 million persons, white and black alike, were loyal to France and anxious to continue fighting. But most of the colonial governors and military leaders thought otherwise and accepted the armistice. General Catroux, Governor of Indo-China, and General le Gentilhomme were among the exceptions.

The feelings of the people in general were revealed by their action wherever they were allowed to express their preference. The resident commissioner in the New Hebrides, M. Sautot, announced on July 20, 1940, that the population had adhered unanimously to General de Gaulle. A plebiscite in Tahiti on September 2 resulted in a landslide for the General. The same thing happened on September 9 in the French enclaves in India. And on September 20 the people of New Caledonia in a bloodless revolution expelled the new governor sent by Vichy. But it was in Africa that Free France gained its most extensive territories. Governor Eboué of the Chad — a most strategically placed colony — set the precedent on August 26. The mandated area of the Cameroons followed suit the next day. On August 28, General de Larminat, who had just arrived from Syria, entered Brazzaville and rallied all of French Equatorial Africa, including Gabon, to the cause.

To be sure, the territories which thus joined the Free French movement are not the most populous colonies of the Empire, neither are they the closest to France. They do not include any of the French possessions in the New World — the presence of a French squadron in the West Indies made revolt there almost impossible. Moreover, General de Gaulle wishes to avoid international complications in the Western Hemisphere. The attempt to win Dakar a year ago ended in failure.

Nevertheless, the empire of the Free French covers an area of 1.25 million square miles and includes a population of ten millions. Naturally, it has created a need for some kind of central government. General de Gaulle has created such a body, called the Council of Defense of the French Empire.

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III

The Vichy government is both illegal and illegitimate. The fact is important both from a legal and moral point of view.

The Pétain government cannot claim that its advent to power at Bordeaux on June 16, 1940, accorded with national tradition or had the support of public opinion since no means for expressing that opinion existed.

Immediately after it had capitulated to the Germans the new government consolidated its power by a *coup d'état*. In a book which purports to be an apologia for Laval, but in reality is a damning indictment of him, Jean Montigny has shown how the President of the Republic and the Presidents of the two Chambers were prevented from going to Africa to form a government which would continue resistance.[2] Montigny also emphasizes how parliamentarians from the invaded departments, who were not able to be at Bordeaux and therefore could not be influenced by Laval, showed increasing opposition to his designs.

Hastily convoked at Vichy as a National Assembly, a majority of the members of the two Chambers on July 10 voted, not a new constitution or a temporary suspension of the Constitution of 1875, but a resolution prepared by M. Laval surrendering to the "Government of the Republic, under the authority and signature of Marshal Pétain," full powers to draft a new constitution, the ratification of which would be deferred *sine die*. The next day the Marshal promulgated four decrees by which he constituted himself Head of the French State, armed with the same full executive and legislative powers as pertain to an absolute monarch, including the power to appoint his successor. He designated M. Laval his heir-apparent. Henceforth, the government was responsible only to the Head of the State; and Parliament, though not officially dissolved, was deprived of all power and indefinitely prorogued (contrary, incidentally, to the promise made in the Government's draft bill). The President of the Republic was expelled from office. The inscription "Liberty, Equality, and Fraternity" was effaced from public buildings. The Official Journal and government decrees no longer used the words "French Republic."

Juridically speaking, the "resolution" of the National Assem-

[2] "Toute la vérité sur un mois dramatique de notre histoire," Clermont-Ferrand (Editions Mont-Louis), 1940.

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bly of July 10 and the four Pétain decrees are completely illegal. The reasons are several: (1) The National Assembly met hastily and under irregular conditions which effectively denied it freedom of assembly and of discussion. (2) The National Assembly — the only body vested by the laws of 1875 with the right to alter the Constitution — did not exercise this right but abdicated it in favor of an authority without legal standing. It violated its own *raison d'être* and committed suicide. The country had nothing to say about this proceeding and was not asked to ratify it. (3) The "Government of the Republic" thus empowered to revise the Constitution had no more legal standing than the organ that delegated such power to it. And in abolishing "the republican form of government" it proceeded in violation of the formal text of the 1884 Constitution.

General de Gaulle emphatically denounced the Vichy government in his Manifesto issued at Brazzaville on October 27, 1940, and in the complementary Organic Declaration of November 16. He stated that "The body known as the 'Vichy Government' which pretends to replace the Government of the Republic, does not enjoy the full measure of liberty which is indispensable for the full exercise of its powers;" and he proclaimed that since the voice of the Free Frenchmen was "the only one that the enemy, or the organism of Vichy which is subservient to the enemy, has not been able to silence," it represented the true voice of the nation. Moreover, he said, the pseudo-government of Vichy "did not hesitate to suppress the right of self-determination of the people, a right considered in France as traditional and sacred, in conferring on the Chief of State the possibility, on his sole signature, to conclude and ratify all treaties, even peace treaties or the transfer of territories, thus impairing the integrity, the independence and the existence of France, her colonies, and the countries under her protectorate or mandate."

From the first, the new constitution had the mortal defect that it was instituted under the aegis of enemy occupation, without consulting the nation, and with the purpose of depriving the nation of its freedom of action both at home and abroad. As such, it has no authority over Frenchmen, whether they reside within France proper or in that part of the Empire which is not under enemy control. Free Frenchmen who refuse to recognize the so-called Vichy government are not rebels in the usual sense of the term; for it is not a regularly constituted government and it is not

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independent of the enemy. Free France, on the other hand, can and does assert title to legality and legitimacy. Thus when General de Larminat became the head of Free French Africa on August 28, he appealed to the Constitution of 1875. The general council of New Caledonia, on hearing that the motto "Liberty, Equality, and Fraternity" had been suppressed by Vichy, spontaneously voted that it be repainted and boldly engraved on all public edifices on the Island. After July 16, as noted above, Vichy dropped the term "French Republic" in its orders and decrees. One of de Gaulle's first acts was to continue the traditional formula throughout the Free Empire.

When General de Gaulle assumed power at Brazzaville on October 27, 1940, in the name of France he predicated his action on four facts which stand in striking contrast with the acts of Vichy.

(1) The central authority, responsible for the defense of the overseas colonies and pledged to liberate the homeland, is merely provisional. It will last until a government that is truly French can be constituted, *i.e.*, a representative government, independent of enemy control.

(2) General de Gaulle and his associates took solemn oath to answer for all their acts before the representatives of the French people when and as the French people can freely choose their deputies.

(3) His acts will be governed and shaped by the institutions and traditions of France, in accord with French constitutional law and "on the basis of the French legislation that antedates June 23, 1940."[3] Free Frenchmen regard themselves as qualified to assume rights and duties under international conventions concluded by France prior to that date, particularly treaties of alliance, mandate conventions, etc.

(4) His first ordinance created a Council of Defense of the French Empire to assist him.

As concerns internal administration, the de Gaulle government has the same rights and duties in the Free French territories as

[3] An example of General de Gaulle's position in this connection was furnished by a statement which he made on November 22, 1940, to the American Jewish Congress regarding discriminatory actions taken by Vichy against French citizens of Jewish blood. He said: "Be assured that since we have repudiated everything that has falsely been done in the name of France after June 23, the cruel decrees directed against French Jews can and will have no validity in Free France. These measures are no less a blow against the honor of France than they are an injustice against her Jewish citizens. . . . When we have achieved victory not only will the wrongs done in France itself be righted, but France will once again resume her traditional place as a protagonist of freedom and justice for all men, irrespective of race or religion, in a New Europe."

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Paris possessed before the armistice. Those colonies which previously had juridic personality and their own budget, and which were under the authority of a governor-general, retain their preferential status. For administrative convenience, the parts of the Free French Empire have been reclassified. General de Larminat has been named High Commissioner of Free French Africa, which includes Equatorial Africa (the union of four colonies, each having its territorial governor, and a governor-general for the union as a whole) and the French Cameroons. In the absence of General de Gaulle, the High Commissioner can take whatever measures — including issuing decrees — may be necessary for the defense of the territories. M. Sautot, Governor of New Caledonia, has become in addition High Commissioner in the Pacific (including Tahiti and the New Hebrides, as well as New Caledonia). General Catroux is the general representative of Free France and High Commissioner in the Near East. French enclaves in India deal directly with the central government.

Like Belgium and the Netherlands, Free France centers its administrative services in London, which is also the center of the war, even though the territories over which it exercises control are far distant — just as the Belgian Congo and the Netherlands East Indies are. The Free French navy also operates chiefly in the waters around the British Isles. Nevertheless, Free France has its military center of gravity in Africa, in the colonies with a distinctive legal personality. Nothing can better symbolize the profound meaning of this war than the fact that Frenchmen of the mother country draw their greatest support from some of the newest regions of the Empire.

## IV

What is the international status of this portion of the French community which has escaped enemy control? The problem would not exist if the German occupied zone included all of France, or if the President of the Republic and the Government had quit France in June 1940, either to establish themselves in some part of the Empire or to take up residence in Britain as the Governments of other invaded nations have done. In that case the *de jure* status of the French Government in exile, reinforced by a *de facto* position, would have been strong and clear.

Actually, the present position of the Free French seems to resemble that of the Czechs. They too, from London, continue the

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fight for the deliverance of their country. In both cases a pseudo-government in the homeland gives the appearance of being a regularly constituted and sovereign power. In reality, neither is free; both are controlled by Berlin. The Czech situation is simpler because Hitler formally proclaimed that the sovereign Czecho-Slovak state had disappeared. Great Britain, the United States, France and the Soviet Union refused to acknowledge the legality of this act and continued to recognize the old diplomatic representatives of the Czecho-Slovak Republic. The course of events in France was different. Nazi Germany did not claim to have annihilated the French State. The Vichy government occupied a *de facto* position in France which was not at first challenged seriously. And the principal foreign Powers did not dispute its claim to represent France in international relationships. According to the *Res Gentium*, the recognition of one government by others depends less on the domestic legitimacy of that government than on its ability to enforce its authority.

The rallying of important sections of the Empire to General de Gaulle greatly modified the original situation. His position now reminds one more of that of Mr. Venizelos during the First World War. King Constantine wished to keep Greece neutral; Venizelos insisted that Greece honor her alliance with Serbia and fight with the Allies. A patriotic uprising in Salonika, Crete and the Islands in 1916 gave him support; and he formed a Provisional Government which, after some months, received diplomatic recognition from France and Britain — though these two Powers still retained their representatives at the court of King Constantine. The abdication of the King late in 1917 brought Venizelos to power. Actually, the moral position of Free Frenchmen is even better than that of Mr. Venizelos twenty-five years ago. The latter merely resisted his sovereign who wished to remain neutral. Free France stands in opposition to a government which is subject to enemy orders — an enemy which is in occupation of a great part of the homeland and uses it as a base of operations against France's ally, Britain.

On January 5, 1941, the British Government gave recognition to the Council of Defense of the French Empire, established at Brazzaville on October 27, and declared its readiness to deal with the Council in all matters touching those overseas possessions of France which had put themselves under General de Gaulle's orders. This recognition of General de Gaulle and the Council of

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Defense as territorial authorities prepared the way for the British Government to negotiate with them in respect to both the political and economic interests of the colonies. In fact, an economic agreement relating to the Cameroons was signed on January 21, 1941, and one relating to French Equatorial Africa on May 20. These agreements fully respect the political and administrative independence, as well as the unity, of the French Empire in its relations with the British Government. Meanwhile, Britain retains all of its consulates in those parts of the French Empire now a part of Free France. And General de Gaulle and the members of the Council of Defense enjoy the same diplomatic immunities on British soil as those possessed by the exiled governments resident in London.

The recognition accorded on January 5, 1941, was still short of recognition of a Free French government. Thus far de Gaulle has not desired more, wishing to avoid giving Vichy any excuse for moving further from passive submission to the enemy to active collaboration with him. But even the limited recognition given the Council of Defense as a territorial entity shows that the British Government realizes that it fulfills the essential conditions on which, according to the Law of Nations, *de facto* recognition depends, *e.g.*, an authority that is real and effective and adherence to the treaties and rules customary among nations.

Recognition has tacitly been accorded by other governments. The accredited representative of Free France was received in the capital city of the Belgian Congo with all the attributes regularly accorded to consuls. The United States has established a new consulate in New Caledonia, the first appointee being a senior ranking man in the American consular service. To him were delivered the first letters patent drafted by the Council of Defense for a foreign consul.

## V

The Vichy government usurped power without consulting the French people or making an attempt to gain their approval. Even so, functioning within the terms of the Armistice, it could have fostered a policy of national union, of quiet but effective reconstruction, and so prepared the country to resume, at some later time, its place in the ranks of the Allies. It could have outgrown its bastard origin and have become the true, the *de jure*, government of France. It was in this trusting mood that many French-

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men rallied around Marshal Pétain. Unfortunately his course of action has disillusioned them and has confirmed the pessimistic forebodings of Free Frenchmen.

Against that régime — isolated from the nation and maintaining itself only with enemy bayonets — stands the growing force of Free France. Can the Free French government ever become the *de jure* government of France? According to international law, a legal government forced to quit its own national domain because of enemy action can still be recognized by other governments if they regard it as being representative of the national will. The same principle should apply to a government in exile which gathers together the national forces of resistance in order to preserve at least parts of the national domain and in order to continue the struggle to liberate their fellow citizens from the enemy yoke.

The right of a people to be masters of their destiny, to choose their own form of government and to determine their relations with other Powers, is a privilege recognized by all civilized countries. It is merely the legal embodiment of an idea expressed by Fustel de Coulanges and Renan. "It is the determination of a people to live and suffer together which characterizes a nation." Any force which represents the will to save the national patrimony and liberate the national territory is a legitimate force. In the comity of nations, it should have a position of equality. Free France, and Free France alone, represents the will of the French people. It should be treated as if it were France.

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# FREEZING DOLLARS AGAINST THE AXIS

*By Judd Polk*

WHEN Germany occupied Norway and Denmark in April 1940 the United States Treasury, in a protective countermove made at President Roosevelt's direction, "occupied" the $267 million in Norwegian and Danish property in this country. Secretary Morgenthau remarked: "Certainly it is in the interests of the American people that I sit on this money and do nothing . . . until the State Department can advise us more clearly on the status of these countries." In the next fifteen months the President directed similar moves involving seven and a half billion dollars owned by 32 countries (set forth in detail in the accompanying table), and it became clear that "doing nothing" really meant engaging in perhaps the most extensive exchange control ever undertaken by any country. With the position of the United States gradually shifting from that of an indignant neutral to one of active opposition to the Axis, the Treasury's control came to include not only the funds of countries occupied by the Axis, but those of the Axis itself and of the neutrals who might wittingly or unwittingly aid the Axis. In short, our financial policy was back on the 1917–18 basis.

Our control of foreign funds is highly important as a weapon of economic warfare. How does it operate? For what purposes? How effective is it? The control also raises questions, perhaps even more significant and perplexing, as to the peace. Will the United States be able to remove the controls and return to its traditional free exchange policy after the war? If so, whose claims now "frozen" under Treasury restrictions are to be recognized?

## I

The United States undertook the control of foreign funds reluctantly. Our maintenance of a free exchange market was the logical counterpart of our traditional free trade policy, under the banner of which the government crusaded vigorously against the growing number of exchange restrictions imposed by other countries. Even apart from ideological considerations, we had an understandable distaste for foreign controls which operated as

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## "FROZEN" FUNDS OF FOREIGN NATIONALS

| *Country* | *Effective Date of Blocking* | *Amount* (millions of dollars) | *Percent of Total* |
|---|---|---|---|
| GERMAN-CONTROLLED COUNTRIES | | | |
| Denmark | April 8, 1940 | $ 92 | 1.2 |
| Norway | " " " | 175 | 2.4 |
| Netherlands | May 10, 1940 | 1,619 | 21.8 |
| Belgium | " " " | 760 | 10.2 |
| Luxembourg | " " " | 48 | .7 |
| France | June 17, 1940 | 1,593 | 21.4 |
| Latvia | July 10, 1940 | 13 | .2 |
| Estonia | " " " | 10 | .1 |
| Lithuania | " " " | 6 | .1 |
| Rumania | October 9, 1940 | 53 | .7 |
| Bulgaria | March 4, 1941 | 2 | (a) |
| Hungary | March 13, 1941 | 24 | .3 |
| Jugoslavia | March 24, 1941 | 71 | 1.0 |
| Greece | April 28, 1941 | 122 | 1.6 |
| Finland | June 14, 1941 | 17 | .2 |
| Czechoslovakia | " " " | 5 | .1 |
| Poland | " " " | 7 | .1 |
| Albania | " " " | (a) | (a) |
| Austria | " " " | 9 | .1 |
| Danzig | " " " | (a) | (a) |
| *Total* | | $4,626 | 62.2 |
| AXIS COUNTRIES | | | |
| Germany (and Liechtenstein) | June 14, 1941 | $ 107 | 1.4 |
| Italy (and San Marino) | " " " | 72 | 1.0 |
| Japan [b] | " " " | 131 | 1.8 |
| *Total* | | $ 310 | 4.2 |
| ANTI-AXIS BELLIGERENTS [c] | | | |
| U.S.S.R. | June 14, 1941 | $ 39 | .5 |
| China [b] | " " " | 275 | 3.7 |
| *Total* | | $ 314 | 4.2 |
| UNOCCUPIED NEUTRALS [c] | | | |
| Portugal | June 14, 1941 | $ 157 | 2.1 |
| Spain (and Andorra) | " " " | 30 | .4 |
| Sweden | " " " | 516 | 6.9 |
| Switzerland | " " " | 1,484 | 20.0 |
| *Total* | | $2,187 | 29.4 |
| *Grand Total* | | $7,437 | 100.0 |

[a] Negligible.
[b] Order not actually issued until July 25, 1941.
[c] Liberal general licenses involving these countries have been issued.

*Sources:* Figures for countries frozen through October 9, 1940, were compiled by the Treasury from property-census reports required under the freezing orders. Similar official figures on later freezings will be available for the other countries if, and when, the Treasury releases the results of the property-census now being taken on *all* foreign holdings. The figures given here are derived from estimates emanating from the Department of Commerce, the Federal Reserve Board and government defense agencies.

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moratoria on the huge volume of payments accruing to this country both on our trade and on our investments. Moreover, the United States was not touched by either the political hopes or financial despairs which tempted so many other countries to adopt controls. The resulting freedom and stability of our markets offered an irresistible attraction of profitable employment or asylum to nervous European capital. From 1935 to 1940 it flowed here by the billions ($7.6 billion, according to Federal Reserve figures).

But when the German war machine started to roll in earnest in April 1940 it became clear that any adequate protection of the foreign funds here would require government intervention. One immediate consequence of German conquests was seen to be the extension of German exchange controls, by means of which the Reich could intercept any payments which we might attempt to make to nations of that area. Moreover, would not Germany force the inhabitants of occupied areas to turn over to her their foreign holdings and all other property which might be "cashed" here? How were American bankers to know whether an order from an invaded area was made under German duress or not? Were instructions from puppet governments or governments-in-exile to be honored?

The occupation of Czechoslovakia and Poland had already created similar, but less critical, emergencies. The holdings of those countries in the United States were not extensive, and it appeared possible to prevent illegitimate transfers by subjecting transactions to the special scrutiny of the New York bankers' Foreign Exchange Committee. The invasion of Norway and Denmark, however, endangered really large holdings in this country. The bankers were hardly in a position to distinguish legitimate calls for payments from those made under duress or by parties not entitled to act.[1] At the same time, they had no legal right to withhold funds from legitimate claimants. Moreover, they could not provide even temporary protection for Norwegian and Danish assets held here *outside* of the banks. So twenty-four hours after the Foreign Exchange Committee voluntarily suspended dealings in Norwegian and Danish currencies President Roosevelt issued the first of the freezing orders.

[1] There was even the possibility under the decisions of American courts that banks would face a double liability if they paid out funds on the basis of orders issued under duress, although qualified lawyers have expressed the opinion that such liability would probably not be imposed if the banks acted in good faith without negligence or knowledge of duress.

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Strictly speaking, the order did not "freeze" Norwegian and Danish funds, but rather subjected them to Treasury license. The 1917 Trading with the Enemy Act had given the Executive the power to regulate foreign exchange transactions *in time of war*, and the 1933 Emergency Banking Act widened this power to cover *any emergency*. But doubts arose as to whom and what the President was authorized to control. Did the power cover securities? Did it include anyone but banks? To clear up such doubts, Congress passed a joint resolution early in May confirming the President's action to date, and making an important addition, printed below in italics, to the language of the earlier acts:

> During time of war or during any other period of national emergency declared by the President, the President may, through any agency that he may designate, or otherwise, investigate, regulate, or prohibit, under such rules and regulations as he may prescribe, by means of licenses or otherwise, any transactions in foreign exchange, transfers of credit between or payments by *or to* banking institutions as defined by the President, and export, hoarding, melting, or earmarking of gold or silver coin or bullion or currency, *and any transfer, withdrawal or exportation of, or dealing in, any evidences of indebtedness or evidences of ownership of property in which any foreign state or a national or political subdivision thereof, as defined by the President, has any interest*, by any person within the United States or any place subject to the jurisdiction thereof.

A wider power over foreign exchange could scarcely have been devised. The breadth of the grant aroused considerable misgiving in the minds of certain Senators who felt that it might open the door to controls quite at variance with the original protective purposes of the freezing. Senator Glass impatiently answered such doubts by insisting that the sought-for amendment was designed solely to prevent confiscation by Germany of property held in this country for the account of owners in the invaded countries. "That is all it does, despite the Solomonic difficulties which the Senator from Connecticut [Mr. Danaher] says will occur." A little later reporters showed so sharp an interest in possible motives of the Administration that Secretary Morgenthau remarked, "The Senators are easy compared with you fellows."

The origin of these doubts was the fear of isolationists that the Government would use its power over foreign funds to put economic pressure upon Germany. The Government insisted that its only objective was the protection of property threatened with German seizure. As a protective move, the freezing orders were almost unanimously approved in Congress and in the press.

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But what sort of a licensing policy was required to assure protection? Was it necessary literally to "do nothing," that is, prohibit all transactions involving frozen property? Obviously this sort of protection would work unnecessary hardships in the case of many perfectly legitimate transactions, for example, those connected with trade between the United States and the Netherlands Indies. Or did protection call for using the frozen funds to secure the defeat of the country that was threatening them? Representative Sol Bloom, Chairman of the House Foreign Affairs Committee, recommended an international conference to arrange for a contribution to the British war effort out of the frozen funds. Obviously "protection" did not furnish an unambiguous criterion for licensing policy.

The fear that the Government would pursue too aggressive a control policy was still in evidence even after the fall of France. The Federal Reserve Banks, as holders of large deposits of foreign governments and central banks, were seeking legislation which would free them from further liability if they paid claims presented by foreign officials whose status had been certified by the State Department. The bill [2] placed in the State Department the sole responsibility for determining which of various claimants were entitled to the official funds of an invaded country. One of the main factors accounting for the refusal of Congress to act at that time was its fear that the new authority might be used to prolong the war. Senator Downey, in a statement which typifies the undercurrent of doubt which was expressed at the Senate hearings, said: "This law back of which we are undertaking to place our moral responsibilities may result in the scourge, devastation, and destruction of the people of France as a result of this money being paid over to carry on a war by some government acting outside the boundaries of France . . ."

Meanwhile, in contrast to these fears, experience was beginning to reveal what in the following months became painfully clear: the existing controls were not adequate to prevent Germany either from acquiring the American assets of invaded countries or from cashing in on loot in this country. John Pehle, head of the Division of Foreign Funds Control, optimistically told a group of New York foreign traders in March 1941, that, by our freezing policy,

[2] The bill, as eventually passed and signed by the President on April 7, 1941, included insured banks as well as the Federal Reserve Banks in its protection.

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this country serves notice to the world that it has a definite and direct interest in the use to which these assets shall be put and that this country reserves the right to prevent any attempted use of such assets in a manner harmful to our defense efforts and our economy . . . Persons who placed their assets in this country out of confidence in our free institutions and our integrity will not have that confidence violated by our permitting such assets to be wrested from their true owners . . . Duress — whatever success it may have had elsewhere — receives no recognition here. Moreover . . . freezing control is serving a definite function in minimizing the liabilities and responsibilities of American banks and other business institutions against the assertion of . . . conflicting claims pending ultimate clarification as to the true ownership of such property.

But the Treasury's efforts to secure an extension of the control sufficient to accomplish these objectives met with months of opposition, both from isolationists and from those who believed that more rigid controls would drive Japan and Vichy into closer collaboration with Germany, or provoke retaliatory moves against American property.

Meanwhile Germany and Italy flourished on the delay. They found — rather to their own surprise — that while it was somewhat complicated to manipulate the funds of invaded countries, *their own* funds could handily be used for a variety of purposes, despite the British blockade. They could buy and pay for propaganda designed to help ease the bulky United States into the small place reserved for it in the proposed New Order. They could buy and pay for supplies to be sifted through the blockade via friendly neutrals, or shipped to Latin America in an effort to keep at least some part of their peacetime trade alive. They could buy up their own defaulted bonds, now quoted at bargain rates, or purchase American-owned interests in firms located in Europe. Or they could use the sturdy American vaults to store funds looted from other countries or simply moved from less secure depositories. Certain henchmen of the German and Italian leaders thought of these nest-eggs here as a "hedge" against an uncertain future.

This pleasant convenience seemed too good to last. Beginning late in 1940, accordingly, Germany and Italy started moving their assets out of the increasingly frosty atmosphere of the United States to the more congenial warmth of Latin America. Our Government's hesitations almost seemed to put a blessing on the move. Secretary Morgenthau, asked by reporters in February whether the Government was going to do anything about Axis

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financial operations in this country, said cryptically, "I am a farmer and therefore must be optimistic." But by June 2 he had abandoned hope. Asked whether he still favored the long-postponed freezing, he replied that the barn was empty, and added that the funds had been larger than a Shetland pony.

Twelve days later President Roosevelt locked the barn door. Spot estimates placed the size of the German and Italian "horse" at $179 million (see table). However, the new order, the most sweeping yet issued, included not only Germany and Italy, but the European neutrals as well — Switzerland, Sweden, Spain, Portugal and the Soviet Union (not yet a belligerent). But from the order's long list of countries, which in its completeness included names which even geographers are likely to forget (Andorra, San Marino, Liechtenstein) and others which have an independent place only on old maps (Poland, Austria, Czechoslovakia), there was one conspicuous omission. The assets of Japan were not touched.

Six weeks later, on the occasion of Japan's new aggressions in Indo-China, the President explained the exclusion of Japan from the freezing as part of a policy calculated to keep the war from spreading. The eventual failure of this reluctantly accorded favor was recognized in the issuance on July 25, 1941, of an order freezing Japanese assets. Chinese assets were frozen simultaneously at the request of the Chinese Government, which hoped that the American control would bring a much-needed degree of order to the management of widely dispersed Chinese resources both here and in occupied China.

II

The control system, as it now stands, is designed to give the Government a veto power over any foreign transactions which might prejudice "national defense and other American interests." While provisions have been made for a census of all foreign holdings in this country and for regular reports on transactions involving foreign interests, the heart of the control is the licensing system. Licenses are required for the following transactions, if they involve the property of any of the 32 specified countries, or are undertaken for a national of any of them: (a) transfers of credit between a United States banking institution and another banking institution, foreign or domestic; (b) payments by or to United States banking institutions; (c) foreign exchange trans-

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actions by any person within the United States; (d) export or earmarking of coin (gold or silver), bullion, or currency by any person within the United States; (e) transactions in evidences of ownership by any person within the United States; (f) transactions designed to evade the foregoing.[3]

These broad provisions are backed up by sweeping definitions of terms. A "national" of an occupied country is defined to include (among others) not only citizens, but also any person who was residing or domiciled in such a country on or since the effective date of the freezing. Thus United States citizens who were residing in Europe at the time of the invasion would qualify as nationals of the occupied country even though they had since returned to the United States. Any business firm in which a national had a "substantial interest" was itself to be regarded as a national. Thus, if such a returned citizen was also the holder of a substantial interest in an American corporation, that corporation might, technically, require a Treasury license before it could make its payroll. No efforts are made, of course, to press the orders to absurd points. At the same time, many United States citizens returning from Europe did find to their surprise and inconvenience that their accounts had been blocked. (It was found possible — and necessary — to resort to the issuance of general licenses to alleviate the commonly recurring cases of unintended hardships.) "Property interest" is broadly defined to include all conceivable types of holdings. Treasury regulations, issued shortly after the control was imposed, listed, "but not by way of limitation," some sixty types, including money, real estate, bank accounts, evidences of debt, trade documents and securities. Banking institutions include, among others, "any person holding credits for others as a direct or incidental part of his business." Macy's, the Edison Company and bookies would all seem to qualify easily.

The breadth of these provisions can be more fully appreciated perhaps by reference to Mr. Pehle's advice as to how an individual can determine whether a contemplated transaction requires a Treasury license:

1. Does the proposed transaction involve in any way, directly or indirectly,

[3] This provision is in form a "catchall." Since it opens the door to an undefined class of restrictions, it presents an undesirable (and constitutionally doubtful) extension of controls which even without it are already arbitrary enough. Its use so far, the writer is informed, has been mainly to permit the blocking of safety-deposit cash, withdrawn from regular accounts in anticipation of freezing.

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trade or commerce with any one of the foreign countries designated in the freezing Orders — keeping in mind the definition[4] of "foreign country" employed in the Order?

2. Does the proposed transaction involve in any other way, directly or indirectly, either a national of any one of the foreign countries designated in the Order or any property in which any such national has, or has had since the effective date of the Order, any interest whatsoever — keeping in mind the broad definition of "national" employed in the Order?

It would be very hard to conceive of a foreign transaction which beyond any reasonable doubt fell outside the license requirement.

Anyone desiring to engage in such a transaction must file with the Federal Reserve Bank a notarized application setting forth in detail the nature of the proposed transaction. While one license is sufficient for any single transaction, each party to the transaction is held responsible for obtaining that license. Applications are forwarded to the Treasury's Division of Foreign Funds Control, except for a small proportion which the Federal Reserve Banks decide on the basis of General Authorizations from the Treasury. Treasury decisions are issued on the basis of policies determined by a committee on which the State, Treasury and Justice Departments are represented.

Wherever possible, recurrent types of applications are handled under general licenses, of which 71[5] had been issued by August 16, 1941. The effect of such licenses is to "free" the frozen accounts affected, although all licenses are revocable without notice. Thus the accounts of United States citizens who come under the definition of "national" but have since returned to the United States are free. Other general licenses free certain accounts for all transactions, and all accounts for certain transactions. For example, a number of Netherlands colonial accounts have been freed to facilitate the East Indies trade. Swiss, Swedish and Spanish accounts and the accounts of the Portuguese Government are generally licensed, subject to certain controls required of

[4] (i) The state and the government thereof on the effective date of this Order as well as any political subdivision, agency, or instrumentality thereof, or any territory, dependency, colony, protectorate, mandate, dominion, possession or place subject to the jurisdiction thereof,

(ii) Any other government (including any political subdivision, agency, or instrumentality thereof) to the extent and only to the extent that such government exercises or claims to exercise *de jure* or *de facto* sovereignty over the area which on such effective date constituted such foreign country, and

(iii) Any person to the extent that such person is, or has been, or to the extent that there is reasonable cause to believe that such person is, or has been, since such effective date, acting or purporting to act directly or indirectly for the benefit or on behalf of any of the foregoing.

[5] General licenses, as well as the orders, rulings and regulations, are reprinted in the Federal *Reserve Bulletins*, or copies can be obtained from the Federal Reserve Banks.

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these governments. A sweeping general license released Soviet accounts on the occasion of the German invasion. Other licenses permit payments *to* any "blocked" (frozen) account, as long as such payments are not from a blocked account. Banks may deduct service fees or pay obligations to the federal government from blocked accounts.

The absence of a general license covering a certain transaction does not mean, of course, that the transaction will not be permitted. Special licenses may be issued, permitting a particular transaction. Such licenses may be either for a single occasion or for a limited period of time. Thus a special license was granted in February 1941 to cover the Rumanian purchase of the International Telephone and Telegraph Company's properties there for $13 million. Foreign-owned corporations here have frequently been granted licenses permitting them to continue operations on the basis of their normal requirements in the past.

The typical operation of the control, then, involves the general blocking of specified types of accounts, and the subsequent issuance of licenses granting exceptions to the general order. In the case of Latin America, however, the converse procedure has been followed. Latin American accounts, as such, are free, but the President's list of Certain Blocked Nationals makes exceptions of some 1,800 Latin American firms. This blacklist, which is 50 percent more extensive than Great Britain's, was issued to clarify the ambiguous status of trade between this country and Latin America. Under the June 1941 order freezing Axis accounts, any Latin American firm which was stained by having an Axis interest would itself be blocked. But how were American traders to determine the status of their Latin American customers and agents? The blacklist was the Government's effort to take over that responsibility. At the time the Government published the list, it also issued a general license to all unlisted Latin American firms which might otherwise be subject to the earlier orders.

III

While it is impossible to make an accurate estimate of the value of blacklisted holdings in the United States, or the value of frozen holdings which have subsequently been freed by general license, these uncertainties probably do not materially affect our knowledge of the total of frozen holdings. Of the total, 80 percent belong to 5 countries: Netherlands, 22 percent, France,

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21 percent, Switzerland, 20 percent, Belgium, 10 percent, Sweden, 7 percent. Perhaps a third of the Netherlands holdings are free under colonial licenses. Switzerland and Sweden are substantially free under licenses, but substantially frozen by general war conditions. None of the other 27 countries holds more than 4 percent of the total. If we except the funds of countries subject to general licenses, the remaining figure ($5 billion) probably indicates the amount of foreign funds actually immobilized under the orders. Funds freed for colonial trade may be offset against the Latin American funds actually frozen by the blacklist, though not included above. While a small volume of transactions takes place under license, the scattered indications we have on current capital movements indicate that the frozen funds are actually frozen, and will remain to be dealt with after the war. A more accurate — but not substantially different — picture of the frozen funds will be available on the completion this fall of the foreign property census, provided for in the June order.

There is another and most interesting type of turnover in the foreign funds — namely, by evasions. The volume is uncertain, for when an evasion is successful it leaves no record. The only safe assumption is that there is evasion wherever the possibility for it is known. In the case of the Foreign Funds Control there were — and still are — such possibilities, the most important of which may be summarized as follows:

(1) By dummy accounts and neutral agents. For example, as long as American, Swiss, Swedish and Spanish accounts are not rigidly controlled, Germany has a convenient list of "innocent" accounts through which it could accomplish limited operations not possible in its own name.

(2) By United States gold and silver purchases. As long as the United States buys precious metals there is no final assurance that such metal did not emanate from Germany. Gold or silver seized in the course of invasion may well have reached the United States via an intermediate market (*e.g.*, Mexico, South America) from which we still purchase. The Treasury has indicated its awareness of this problem, and currently requires assurances from countries selling the metal; but such precautions are short of a perfect guarantee.

(3) By currency imports. European nations have long hoarded United States currency, which is most attractive due to its comparative stability. Our reimports of dollars are considerable.

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(January 1940–January 1941, $11 million.) The increase in circulation of large-denomination bills — the form which foreign hoarding usually takes — suggests that another avenue of evasion is being continued, although customs and postal officials watch for incoming currency.

(4) By the smuggling of securities or other valuable property (*e.g.*, precious gems) into this country. There is no way of preventing German smuggling of seized valuables into the United States except by the vigilance of customs and post-office agents. The present control already provides for their coöperation.

(5) By the black market and by foreign assignments. The existence of a black market for illegal exchange transactions is a usual counterpart of any country's exchange control. Often such markets are more or less openly known and tolerated. There is no known black market in the United States, but it may exist or come to exist. Meanwhile, assignments of frozen funds, both voluntary and forced, are thought to take place abroad. There is some reason to believe that in lieu of statutory provisions to the contrary such assignments might ultimately have some legal status in our courts if the controls were removed.[6]

Even before Axis and neutral funds were blocked, the Government took fragmentary action under the anti-trust acts and by means of export controls to close gaps in the freezing; but the existence of uncontrolled foreign accounts continued to invite evasion. The difficulty of operating an exchange control which left out half of the foreign transactions was painfully obvious. During the World War the first few months of experience with partial financial controls showed the impossibility of preventing evasions, and the control was consequently extended to cover all countries, including our allies. Under the limited "protective" orders of 1940, the need for complete controls was recognized immediately in the case of securities. All securities imported from any source were from the outset subject to the control.[7]

It is not easy to find a convincing reason for the delay which occurred in extending the freezing. Appeasement of Japan was bringing doubtful success, and the maintenance of Axis financial

[6] The editors of the *Columbia Law Review* (June 1941, p. 1052–54) discuss at some length the status of such assignments. While their view that this loophole "may seriously jeopardize the effectiveness of the foreign funds control system" seems to the writer to be without convincing support, it would appear to be rudimentary common sense to amend the orders so as to make clear that such assignments definitely will not be recognized.

[7] Except those coming from Canada, the United Kingdom, Bermuda and Newfoundland, where the controls of those countries already afforded adequate protection.

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privileges was growingly inconsistent both with our defense program and with our policy of protecting the funds of invaded countries. Nor did the United States enjoy anything like corresponding privileges in Germany and Italy, where for years rigorous exchange controls have been in operation. However, now that the control has been extended to cover virtually all foreign transactions except British, the remaining loopholes probably do not require action more drastic than tightened administration. Naturally the success of the control would be improved by further coöperation from Latin American nations, which so far have followed our freezing steps only to a limited extent.

IV

The reaction of the Axis to the freezing of their funds was quick and indignant. Both Italy and Germany characterized the freezing as entirely unjustified. The day after the President's order Italy issued a hastily-composed and somewhat hollow decree imposing similar controls against American assets there. Aside from the inconvenience imposed on American residents there who had to forego the use of their checkbooks pending clarification of procedure, the decree probably added little to measures which Italy had already undertaken.[8] Germany published no new orders, but simply said that "necessary measures" had been ordered against American property in Germany. If the United States acted too late to catch a good part of the German funds, Germany in adopting exchange controls years ago acted too early to be able to retaliate. No new measures in the Reich could increase the frozen status to which American property there had long since been reduced. Administration officials here were willing to concede that our billion of dollars in Europe is lost, whatever the date from which that loss is to be computed.

Considering that the freezing of Axis funds was merely an extension of a year-old program it brought a surprising amount of confusion in its wake. Some foreign exchange dealers and foreign traders realized only at that late date that they were included in the operation of control. A flood of questions arose. Were Latin American wholesalers the "ultimate consignees" for whose non-Axis status the Treasury held American exporters

[8] The new Italian controls have a certain "nuisance" effectiveness. Americans there now have to convert their dollar incomes at a less favorable rate, and American firms operate under the handicap of a greater mesh of red tape.

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responsible? Or did the exporters have to have assurance that goods would not ultimately be resold to blacklisted firms? Such apparently was the requirement of the order. Yet it would mean virtually the end of trade with Latin America, pending suitable investigation. How about goods in transit? Were banks to regard existing letters of credit as valid? In the handling of licensed purchases of foreign exchange, were the banks permitted to pay by means of unblocked dollar accounts?

These are only a few of the questions which at once made their appearance to embarrass every step of foreign trade. The difficulty came from several sources. First, since the new order eliminated free European exchange in the United States, banks immediately had difficulty in effecting the small but necessary volume of United States remittances to Europe, even for such purposes as the support of our citizens abroad. Italy immediately indicated her unwillingness to sell lira for dollars, since the use to which the dollars could be put was so uncertain.[9] Second, the June extension, in raising doubts about the status of Latin American customers, for the first time affected a really significant volume of our wartime trade. Third, the Treasury has been loath to establish precedents on questions of licensing policy. Many important decisions on applications are handled orally, and on an *ad hoc* basis, which makes the development of orderly procedures very difficult. Fourth, the orders and rulings are replete with legal verbiage which is obscure to bankers and dealers. Fifth, the various facets of the control have been developed one at a time, without sufficient codification, and in many cases are duplicated by export controls and priority ratings.

No doubt such difficulties were to be expected as the growing pains of exchange control, at any rate in some degree. The Treasury naturally has an interest in clearing them up, since the success of the control depends to a considerable extent on the effectiveness of bankers' coöperation. The State Department has undertaken an active rôle in expediting legitimate Latin American orders, thus clarifying the status of a part of our Latin American trade. Recent orders and notices from the Treasury indicate that procedural changes recommended by the bankers' Foreign Exchange Committee have received some attention. Ultimately,

[9] The liberalization of Argentine exchange controls, timed intentionally or unintentionally to jibe with the extension of United States control and the virtual elimination of a free dollar from exchange markets, may result in a shift, at least temporary, of international finance to the Argentine markets. United States remittances abroad have to be effected increasingly through pesos.

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the smoothness with which the control operates will depend largely upon the Treasury's success in working out procedures making possible quick and clear-cut answers on applications.

Japanese financial quarters were reported to be neither surprised at the June order nor pleased at their temporary exclusion from it. Tokyo commentators registered an appropriate degree of shock and displeasure at the eventual freezing of their funds in July; but their reaction to Japan's reprieve six weeks before had been that tightened American economic pressure was definitely on the books. After the United States acted, Japan retaliated by freezing American assets in Japanese-controlled territory. Actually, our freezing order did not in itself shut off American supplies. The first comments of the American press assumed that it meant the end of appeasing Japan. But the State Department was quick to point out that the licensing system was actually a flexible one, leaving the Government free to apply it to whatever extent might be thought to be in the national interest.

The effect of the order was at first greatly in doubt. Japanese ships, laden with millions of dollars in silk, steamed in aimless circles off the California coast. The Treasury declared its intention not to interfere with the departure of the ships, should they dock, but pointed out that their cargoes would be subject to license. One, the *Tatuta Maru*, decided to dock for refueling without unloading, but a persistent group of American process-servers eventually secured the cargo. Meanwhile, the New York silk exchange closed in chaos, pending some agreement as to how operators could cover their futures contracts. Women stormed the department stores in a hosiery-buying bee that brought the stores a Christmas in July. Unemployment stared 175,000 American silk workers in the face. As for the crucial subject of oil, no one knew whether Japan was going to get further shipments or not.

After a few days of extreme disorder and uncertainty, some of the major difficulties were on the way toward settlement. Price ceilings on silk contracts were being arranged under the OPACS. The government declared that efforts to bring about the immediate absorption of silk workers into other defense employment promised success. Plans were afoot to arrange for payment of Japanese bond obligations under a Treasury license. And the President, in conference with Cabinet members, worked out a schedule of oil shipments under which Japan could purchase no fuel suitable for aviation, and crude petroleum products only on

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the basis of prewar quantities. The 100 percent coöperation pledged by Britain, the Netherlands Indies and Latin America, makes it possible to develop an oil policy with teeth in it. Official spokesmen reported that the United States shipped no oil to Japan during August. But if a prewar quota were put into effect, it might permit a considerable flow of oil, since Japan's purchases even before 1937 were on a war basis and at a rate allowing for the accumulation of stocks.

*V*

If we look ahead toward the time when the control is liquidated and the assets now frozen come up for ultimate disposition we can see problems even more perplexing than those which currently beset us. Shortly after the first freezing order was issued, Secretary Morgenthau intimated that the frozen funds might eventually be released for settlement of debts owed to Americans, possibly including the old war debts. While this suggestion may have prematurely inserted additional complications in the freezing problem, it at least hinted immediately that the termination of freezing is probably not to be envisaged as a simple removal of restrictions. If at the time peace returns international finance is still hedged about with controls maintained outside of the United States, then it will not be within this country's power, single-handed, to "defrost" international holdings, and an effort to do so might be distinctly to our disadvantage.

A simple removal of restrictions would mean that we would no longer place any obstacles in the way of the financial operations of foreign countries with respect to their holdings here. That was essentially our policy prior to the outbreak of war. Foreigners could move their funds to or from this country. They could buy or sell foreign exchange, gold, securities or goods in our markets. Under suitably coöperative conditions of international finance, such free operations would not conflict with our own interests. But even before the war, certain persistent distortions appeared in the nature of foreign operations. The one most generally publicized was the steady flow of gold into this country, a flow which in the six years 1935–40 brought us $15 billion. The proceeds of the sale of gold accrued to foreigners in the form of balances in our banks or goods and securities purchased in our markets. Foreign investments were liquidated abroad by American owners, and the proceeds returned to the United States. Meanwhile the

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United States exported $4 billion more in merchandise than it received from abroad. Obviously international funds were flowing from the world to our banks, and to a lesser extent our goods were flowing out to foreign countries. At the time of the freezing, the United States was in possession of two-thirds of all the gold in the world. The investments of subsequently frozen countries here amounted to over $7 billion, whereas ours in those countries were only $1½ billion. It was at this moment of almost maximum distortion that the United States froze European holdings.

What would happen if the controls were removed? Would that by itself resolve the glut of foreign funds? We might gladly offer back the gold which is stagnating in our vaults. But under conditions of widespread exchange control, it is hardly likely that other countries would care to turn their holdings here into gold, a thing which would have far greater value here than abroad. So if the United States permits foreigners to decide for themselves how to use their defrosted assets, they would be expected to convert them into goods for removal from the country, or into investments yielding earnings which could be converted into goods and removed. In return for this steady drain on the productive facilities of the country, the United States could boast a gold pile of doubtful value, and some foreign securities on which the earnings are blocked abroad.

A simple outright defrosting, then, might prove to be merely a roundabout way of handing Europe a $7 billion check on our postwar production. Should such a policy nonetheless be undertaken as a matter of "paying our debts"? This would seem to be an ironic position for the world's leading *creditor* country, and in excess of any obligation we ever undertook, especially with respect to refugee foreign funds. Would such a policy be desirable as a means of stimulating a depressed postwar production? This would be a highly expensive version of stimulation — a public works policy without any public works.

If nevertheless the United States decided to release the frozen funds without restriction, the problem of conflicting claims would arise. Who is entitled to the funds of owners that have disappeared? If Germany continues to dominate fallen European countries, a release of funds would in effect turn them over to Germany — the very thing freezing was imposed to prevent. Or should the titles of governments-in-exile be recognized? What about central banks? The out-and-out defrosting of funds may

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be recognized as in effect a procedure whereby the courts, rather than the Treasury, arbitrarily decide on applications.

Could the United States insist that the frozen funds be used to liquidate United States claims against the frozen countries? If all United States claims, including the old war debts, were offset against the frozen claims, the clearance (country by country) would be in the order of $2.5 billion. Clearance of claims on this basis, however, would hardly be equitable. The war debts were incurred by *governments*, whereas two-thirds of the frozen funds are owned by private banks and individuals. If the war debts are omitted, the possible clearance would be reduced to roughly $750 million. If, in addition to this, we thought it desirable to use the frozen funds of foreign governments and central banks in part payment of the claims of our Government, the clearance would reach close to $2 billion.

It may be concluded, then, that clearance possibilities even on the widest possible scale would account for less than half the frozen funds, and less than a third of American claims against frozen countries. On a more restricted and more equitable basis, the solution would be even less definitive. The essential problem — how to put international finance onto a basis which gives some meaning to foreign claims in any country — remains.

The defrosting of frozen claims might far better be made an occasion for the review and amendment of international financial practices. In the long run it might be wise to permit unrestricted use of the frozen funds in return for guarantees that the countries of the beneficiaries would relax their own controls. The task ahead is to free the world from the distorting influence of conflicting and arbitrary controls. Germany's defeat would no doubt remove one of the major obstacles to the creation of an orderly international financial pattern. It also would probably remove many complications regarding the claims of nations now under German occupation. But the defeat of Germany will not in itself be enough. The frozen funds can be released satisfactorily only after international agreements have produced a financial *milieu* in which foreign claims everywhere will be neither frozen nor liquidated, but revived for their useful function in international relations.

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# JUGOSLAVIA'S CHOICE

*By Nicholas Mirkovich*

THIS war was bound sooner or later to reach the place where the First World War started. Some Jugoslav leaders thought the contrary. But to point out that this was an illusion is still to tell only part of the story. Prince Regent Paul, working through the Stojadinovich and Cvetkovich Governments, may have hoped that it was possible to isolate Jugoslavia from the main currents of events in Europe. But a more likely explanation of his attitude and that of his ministers is that they were dismayed by the stubborn facts of the European situation — the growing German military strength, the growing British and French military weakness, and the evidence of a spirit of appeasement in both Britain and France, going back as far as the naval treaty which the Baldwin Government signed with Hitler in June 1935 and the Anglo-French decision not to resist the German occupation of the Rhineland in March 1936.

It was a disaster that Jugoslavia entered the final crisis so unprepared. But it would have been difficult, with the best will in the world, for Jugoslavia to have rearmed sufficiently in 1937 and 1938, when even British and French preparations were still lagging; and it would have been still more difficult for her to have rearmed energetically after the war began in 1939, not only because there was then no place where she could buy the needed arms in sufficient quantities and sufficiently quickly, but because such action would have produced an immediate ultimatum from Germany. This is the general background against which the events of this past winter and spring must be studied. The worst miscalculation of the Jugoslav Governments which preceded that of General Simovich was their belief that the Jugoslav people were not ready to accept any sacrifice, whatever the odds against them, rather than become the slaves of Hitler and rather than facilitate his attack on their neighbors, the Greeks.

A very short study of a map of the Balkan region will show that the Serb lands guard the eastern gates of Europe, and that unless armed forces passing between east and west sweep across the plains of Southern Russia they have to move via the Morava and Vardar valleys. Thus if and when the *Drang nach Osten* of German imperial days was revived it was likely to take strikingly

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similar form. Just as Serbia was an unwelcome barrier to the peaceful fulfilment of the Austro-Hungarian and German dream of conquest in 1914, so in our time her successor, Jugoslavia, was a barrier to the National Socialist expansion. With an area of some 96,000 square miles and a population of some 16,000,000 inhabitants, Jugoslavia dominated the Balkan Peninsula, its waterways and roads, its man power, its mineral and agricultural resources. Her standing army of 200,000 was understood to be, man for man, one of the world's best, although short of modern equipment. Her people, having gained freedom after centuries of struggle and sacrifice, were determined to safeguard it at any price. The Nazis knew that her will had to be undermined or circumvented, or that she had to be smashed by force. They tried the first course first.

## II. DIPLOMATIC BACKGROUND

The actual crisis which preceded the invasion of Jugoslavia on April 6 of this year began with the presentation of German demands to Premier Cvetkovich and Foreign Minister Cincar-Markovich during their visit to Hitler on February 14. But in order to understand why they decided to sign an understanding with Hitler we must go back to the years just after the assassination of King Alexander in October 1934, and in particular look at the foreign policy of the Regency while Stojadinovich was Premier in 1935–1939.

The international position of Jugoslavia early in 1934 was determined by her membership in the League of Nations; by her alliance with France, signed November 11, 1927; and by her membership in two regional organizations, the Little Entente and the Balkan Entente. The former was primarily established to maintain the territorial status quo in the Danube Basin. The Balkan Pact, signed in Athens on February 9, 1934, came after the long and painful preparatory work of the Balkan Conferences. Its function was similar to that of the Little Entente, but for a number of reasons it was more significant. Loose as it was, it was the first concrete step toward the possible Balkan union envisaged by so many political leaders.

The unsuccessful *putsch* in Austria in the summer of 1934, involving among other things the murder of Chancellor Dollfuss, was the first warning of the extent of the Nazi menace to Jugoslavia; for she knew that the continued independence of Austria

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and Hungary was a condition of her own peaceful existence. A few months later came the assassination of King Alexander at Marseilles, an event which not merely led to profound changes in the internal political life of the country, and in its foreign policy, but affected the entire future of Southeastern Europe and indeed of Europe as a whole.[1] This is not the place to discuss the internal affairs of Jugoslavia under King Alexander's dictatorship. The fact must be recognized that he was probably the first European statesman to realize the full significance of the German advance after 1933, and to attempt actively to ward off what actually occurred after his country's enemies had succeeded in removing him from the scene. The Balkan Pact of February 1934, and the King's conversations with the French Minister of Foreign Affairs, M. Louis Barthou, had been parts of a larger plan to build an effective international system of defense and stability. Among the immediate consequences of the Marseilles assassination were the rapid disintegration of the relations between France and Jugoslavia[2] and the weakening of the Little Entente.

The broader aspects of the international events of 1935–1936 do not need special interpretation. Each stage marked clearly the rapid disintegration of what was termed "collective security." The failure of the Western Powers effectively to oppose the German and Italian attacks on the European order based on Versailles and Locarno was one of the main reasons for Jugoslavia's gradual departure from her former foreign policy and her *rapprochement*, under the Stojadinovich régime, with Nazi Germany and Fascist Italy. Other reasons were the special efforts made by German economic and political diplomacy in the Balkans and the undemocratic tendencies of Premier Stojadinovich.

The character of the Stojadinovich régime was not generally understood outside Jugoslavia. Superficial talk about its "successes" and its "realism," even by some of those usually well acquainted with Jugoslav problems, helped to conceal the basic trends of its foreign policy. Stojadinovich himself was supposed, when he became Prime Minister, to be liberal, pro-British, pro-Soviet, and in favor of an understanding with the Croats. He was thought to be liberal because he had remained in the

[1] For details and implications of the Marseilles assassination see Hamilton Fish Armstrong, "After the Assassination of King Alexander," FOREIGN AFFAIRS, January 1935.

[2] *Cf.* Lazare Marcovitch, "La Politique Extérieure de la Yougoslavie," Paris, 1935.

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opposition during King Alexander's dictatorship; pro-British, because he had been the Belgrade correspondent of the London *Economist* some ten years previously; pro-Soviet, because not long before he had written an editorial in the Belgrade *Politika* asking for the recognition of the Soviet Union. As for the understanding with the Croats, this had been one of the main objectives of a previous régime in which he had participated.

Within a year Stojadinovich had turned against almost all the policies mentioned above. He weakened Jugoslavia's ties with the French, the Little Entente and the signatories of the Balkan Pact, and he came to depend more and more on coöperation with Germany and Italy. An unofficial visit by Paul Reynaud to Belgrade, and an official one by Foreign Minister Delbos, did not swerve him from his pro-Axis tendencies.[3] On January 24, 1937, a pact of "eternal friendship" was signed with Bulgaria, and on March 25, 1937, an agreement was signed with Italy. In 1938 one-half of Jugoslavia's trade was with the Reich.

But it was on internal issues that Stojadinovich finally fell. Having shown himself unable to solve the Croat question, he was replaced on February 5, 1939, by Dragisha Cvetkovich. Here we reach the crisis preceding the German invasion.

Cvetkovich himself was a local politician without any particular political background. He had graduated from the Subotica Law School a few years before entering the Stojadinovich cabinet as Minister of Social Welfare. But after some six months of negotiations he succeeded, with the support and guidance of Prince Regent Paul, in coming to an agreement with the Croats. On August 24, 1939, the *Sporazum* was signed, and on August 26 the government was transformed to include representatives of the Croat Peasant Party, the Independent Democratic Party, and the Serbian Agrarian Party. The Croat leader, Vladimir Matchek, became Vice-Premier, a post created at this time. Alexander Cincar-Markovich was chosen Minister of Foreign Affairs because he had established friendly contacts with the Germans while serving as the Jugoslav representative in Berlin.

The difficulties of Jugoslav foreign policy multiplied, of course, with the beginning of the Second World War. Yet the transfer of the main theatre of operations to the Low Countries and France,

[3] Reynaud delivered an address on French-Jugoslav friendship, in Stojadinovich's presence, in the Kolarac auditorium. Delbos had a cold reception from the Jugoslav Government, though the people of Belgrade showed almost riotous enthusiasm on the day of his arrival.

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following the rapid Nazi occupation and partitionment of Poland, induced an illusion of security in the Balkans. Cincar-Markovich hoped that the war would be decided in the West, and that the Balkans would be left out. On this false hope he based his policy of neutrality.

The Little Entente had been finally destroyed with Germany's annexation of Czechoslovakia, but the Balkan Entente remained. There was an obvious danger, however, that Germany might look on this as a bloc against her, so during 1939 and the beginning of 1940 the Rumanian and Jugoslav Governments tried to transform it into a "conference of neutrality." Meanwhile, more and more economic concessions had to be made to Germany; and efforts were made to eliminate all possible friction with neighboring Bulgaria and Hungary. At the same time a counterweight to Germany was sought in the Soviet Union. The Soviet régime was at last recognized, and Milan Gavrilovich, leader of the Serbian Agrarian Party, was sent as the first Jugoslav Minister to Moscow.

A certain degree of balancing and neutrality seemed feasible, at any rate on the surface, up to the time when the German plan to invade England was checked. Then, however, it became plain that Germany would have to attempt a decisive action on the Eastern front. This she made ready to do. The Vienna arbitration gave Hungary part of Transylvania and Bulgaria the Dobruja. Russia, in compensation, annexed Bessarabia. German troops gradually took over Rumania.

### III. CRISIS

Throughout these operations the German Government, of course, gave Jugoslavia broad assurances of friendship. On October 10, 1940, it sent her the following statement:

> For the purposes of the reorganization of the Rumanian Army, as well as for the purpose of safeguarding German interest in the oil district, Germany has decided to send missions accompanied by detachments of the armed force. Hereby the decision of the Vienna arbitration act is being put into effect on the request of the Rumanian Government. The present action is not directed against any other country. The German Government is anxious to preserve peace in the Balkans, all information to the contrary originating from enemy sources.

Despite these fair words, German pressure at Belgrade increased. The position in which the Jugoslav Government found

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itself was explained later by Cincar-Markovich. In a statement hitherto unpublished he said:

> From the moment of the military action of Soviet Russia and the annexation of Bessarabia the difficulties of the Royal Government became apparent. This led to open territorial requests by Bulgaria and Hungary. The situation became worse with the Vienna arbitration and the German military penetration of Rumania, upon which Italy's war on Greece followed. It is clear that under those conditions we today are not in the position to lead any other policy but the policy of self-defense: our country is not in the position to carry on a war except in the case of foreign aggression. Our efforts to maintain peace in the Balkans were unsuccessful. Under present circumstances we are forced to find a solution bargaining with Germany on a diplomatic plan, a solution which will permit us to continue a policy of peace, safeguarding our vital national interests.

On October 28, 1940, Italy attacked Greece from Albania. While this war was in progress on Jugoslavia's southern borders, Bulgaria and Hungary began pressing her for territorial revisions.[4] It was already very late to try to checkmate the aggressors. But an excuse to act against the weaker of them seemed to offer when Italian planes bombed the Jugoslav city of Bitolj in November 1940. General Nedich, Minister of War, urged the Government to seize the occasion to attack the Italians and drive them out of Albania before Hitler's legions had finished entrenching themselves in Southeastern Europe. He foresaw that sooner or later Hitler would have to come to Mussolini's help in the Mediterranean, and he knew that this help could not be effective so long as Jugoslavia maintained strict neutrality. Foreseeing that Jugoslavia would have to become Hitler's partner or enemy, and rejecting the former rôle, he planned to help Greece settle accounts with Italy at once so that they then would be free to concentrate on joint resistance to Germany. His advice was rejected, and he was replaced by General Peshich, who had not been in active service for ten years.

This decision set the Jugoslav Government on the last lap of the road that led inexorably to Vienna. Hitler's first concrete demand was received on February 14, 1941, during the visit by Cvetkovich and Cincar-Markovich to the Berghof. The German

[4] Hungary demanded sections of the Jugoslav provinces of Bachka and Baranja. Through the efforts of Count Teleki it was found possible to postpone territorial questions between the two countries, and a Jugoslav-Hungarian treaty of "constant peace and perpetual friendship" was signed. The Bulgarians claimed the districts of Caribrod, Bosiljgrad and Strumica, lost in 1918. For details about minorities in Jugoslavia *cf.* C. A. Macartney, "National States and National Minorities," Oxford University Press, London, 1934; also J. Chmelar, "National Minorities in Central Europe," Prague, Orbis, 1937.

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dictator demanded that Jugoslavia participate in the Tri-Power Pact of September 27, 1940. Hungary, Rumania and Slovakia had already agreed. Bulgaria was being pressed to do likewise. Hitler even offered Jugoslavia territorial compensation in northern Albania and Greece, and hinted that she might also be rewarded at the expense of Italy. The territory to be ceded by Italy was to include Fiume and a part of Istria.[5]

Bulgaria yielded two weeks later. But the Jugoslav Government was forced to postpone its decision because of growing opposition and unrest in the country. Cvetkovich was unsuccessful in his attempt to strengthen the cabinet by bringing in Radical and Democratic Party leaders from Serbia, and without them he did not dare to reply definitely to the German demands.

Then on March 1 German troops occupied Bulgaria. The crisis had reached its final stage. The country now was practically surrounded by German and Italian troops. The only open frontier was that with Greece. On March 4 the Government ordered partial mobilization, but apparently it had not made up its mind what course to follow. On March 6 a special meeting of the cabinet was called by Prince Regent Paul. It split on the issue whether or not to accept the German demands, and five of the members threatened to resign. In the end, the original pact was rejected. But agreement was reached (over protests from the Agrarian and Independent Democratic Party leaders) to negotiate a pact of non-aggression and mutual friendship.

The crisis was thus prolonged, with increasing German pressure from the outside and growing popular resentment and unrest within. In reply to the Jugoslav Government's repeated suggestions for a non-aggression treaty, Germany demanded the following concessions, as reported by the *New York Times* on March 15: 1. Permission to utilize the Jugoslav railways for the transit of German army hospital trains from Bulgaria to Greece. 2. Right of way on the Jugoslav railways for German munitions trains and troop trains, if that was found necessary. 3. Installation of German technical speed-up experts in Jugoslav mines and factories, but more particularly in supervisory agricultural posts, to raise the Jugoslav production of raw materials and foodstuffs to feed Germany and the German Army. 4. Demobilization of the Jugoslav Army.

[5] In northern Albania, Jugoslavia was to be given the sector between the Drin River and the Jugoslav border; in Greece, an outlet to the Aegean Sea and possibly the port of Salonika.

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It was understood that the Cvetkovich Government was willing to accept the first and third points, but that the other two, which spelled full capitulation, were refused. A week of hesitation followed. The unrest in the Serbian parts of the country continued to grow and diplomatic pressure from Berlin continued to increase. Belatedly the army began to make a number of necessary preparations to strengthen the forces on the frontiers.

The historic session of the Jugoslav cabinet came on March 20. Under pressure from Cvetkovich, Cincar-Markovich, and the Croat members, it was agreed that the Prime Minister and the Minister for Foreign Affairs should go to Vienna and sign "an enlarged and amplified friendship and non-aggression pact with the Reich." Ten members of the cabinet voted for this adherence to the Axis in modified form. Five refrained from voting. Three voted against it — Branko Chubrilovich, Srdjan Budisavljevich and Mihailo Konstantinovich. The cabinet crisis became public the following day, when these three members resigned. After much pushing and hauling, in the course of which Prime Minister Cvetkovich failed to make them change their minds, their places were finally filled by Dragomir Ikonich, Fran Kulovec and Chaslav Nikitovich.[6]

After all this delay Cvetkovich and Cincar-Markovich, in response to a German ultimatum, finally left for Vienna on March 24. The country was by this time in an uproar, and hostile manifestations had begun to occur, especially in the eastern regions.

On March 25 the Pact was signed. Cvetkovich signed for Jugoslavia and von Ribbentrop for the German Reich. The published text read as follows:

> The Governments of Germany, Italy and Japan on one side and the Government of Jugoslavia on the other side, through their plenipotentiaries, agree to the following:
>
> Article I. Jugoslavia joins the Tri-Power Pact which was signed September 27, 1940, at Berlin, by Germany, Italy and Japan.
>
> Article II. Representatives of Jugoslavia will be present at conferences of commissions for common technical questions created under Article IV of the Tri-Power Pact so far as the commission deals with matters touching Jugoslavia's interests.
>
> Article III. The text of the Tri-Power Pact is added as a supplement to

[6] For events in these and subsequent days see contemporary dispatches to the *New York Times*.

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this protocol. This protocol and the text are written in the German, Italian and Jugoslav languages. It comes into effect the day of signing.[7]

No provisions covering the German right of passage for munitions or hospital trains appeared in the public text, nor were any economic provisions published. But it is believed that they existed.

Two "letters of guarantee" were added to the protocol, addressed to Cvetkovich and signed by von Ribbentrop. In them the German Government promised to respect the territorial integrity of Jugoslavia and not to require the passage of German troops. They read as follows:

I. Mr. Prime Minister: In the name of and on behalf of the German Government, I have the honor to communicate the following to your Excellency:

On the occasion of the adherence of Jugoslavia to the Tri-Power Pact, which has occurred today, the German Government reaffirms its determination to respect at all times the sovereignty and territorial integrity of Jugoslavia.

II. Mr. Prime Minister: With reference to the conversations which took place on the occasion of Jugoslavia's adherence to the Tri-Power Pact today, I have the honor, your Excellency, in the name of the Reich Government to confirm the agreement between the Governments of the Axis Powers and the Jugoslav Government, that during the war the Governments of the Axis Powers will not make any demands on Jugoslavia to allow the passage or the transit of troops through Jugoslav territory.

This pact was received in the country with general vituperation. All classes and all political groups joined in wild demonstrations — peasants, workers, students, intellectuals, soldiers, people of the right, people of the left. They were backed, indeed led, by the most powerful political organizations, by the Church, by the organization of the *komitadjis*, by the association of reserve officers, and by many others. It was a popular revolt in the truest sense of the word, so profound and general that it deserves to be called a revolution. In this respect the *coup d'état* which came two days later was forced by the people and was not the result of a military conspiracy.

The popular uprising was paralleled by representations from abroad, both diplomatic and others. The diplomatic representations made by several of the democratic states did not have a decisive influence on popular sentiment in Jugoslavia — that had been hardening spontaneously over a long period — but they certainly helped strengthen the hands of those who had

[7] *New York Times*, March 26, 1941.

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determined to resist the Axis. The representations made by Greece, Turkey and Great Britain, and the comments received from the United States, were especially important.[8] The resolutions adopted by various organizations of Jugoslav immigrants in the United States and the British Dominions also had an influence. Certain of the Jugoslav representatives abroad joined in recommending a positive line. In Moscow, Milan Gavrilovich resigned his post of minister in protest against the signing of the Pact. Constantin Fotitch, in Washington, and Ivan Subotitch, in London, were ready to follow him.

### IV. COUP D'ÉTAT

On March 27 came the *coup d'état*. It had been planned for some days. The story of just how it was executed need not detain us now. Suffice it to state that the replacement of the Regency by young King Peter II and the formation of a coalition cabinet were carried out without bloodshed and that these acts responded to the wishes of the vast majority of the Jugoslav people.

General Dushan Simovich executed the *coup d'état* and became the new Prime Minister. In 1938 he had been Chief of the General Staff and was appointed in November 1940 commander of the air force. Other members of the new cabinet included leading representatives of almost every significant political group. The second Vice-Premier, Professor Slobodan Jovanovich of the University of Belgrade, the outstanding social scientist in the country and President for some years of the Serbian Academy of Science, had been frequently consulted during the crisis and played an important rôle in the change. The new Minister of Foreign Affairs was Momchilo Ninchich, a member of the Radical Party, who had occupied that post frequently under the premiership of Nikola Pashich. The Radical and Democratic elements were represented also by Boridar Markovich, Misha Trifunovich and Milan Grol. Agrarian and Independent Democratic Party ministers came back into the new cabinet, reënforced by some new members.

For a time the position of the Croat members of the cabinet was problematical. Matchek was appointed First Vice-Premier,

[8] On May 24, the British Government through the Minister in Belgrade, Mr. Ronald Ian Campbell, handed a note to the Cvetkovich Government declaring that it was "shocked to learn that Jugoslavia now suddenly contemplated the signature of an agreement by which she not only abandoned her neutral attitude, but apparently entered the very system of Great Britain's enemies." (London *Times*, March 27, 1941.)

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while other posts were given to four more members of the Croat Peasant Party. The presence of a number of their old political enemies undoubtedly made some of the Croats suspicious. But as a matter of fact Matchek actually made only two demands on General Simovich: reaffirmation of home rule for Croatia; and assurances that the Government would try by every means possible to avoid war with Germany. Satisfied on these points, Matchek and the other Croat members returned from Zagreb, where they had been in consultation with their followers, and participated in the historic cabinet session of April 4 when a definite stand was adopted as regards both internal and foreign matters. It was accepted that Serbo-Croat collaboration formed the very backbone of the Jugoslav state; and it was announced that though the new government had decided to do everything possible to maintain peace it was ready to take a firm stand if the country's independence and territorial integrity were threatened.

The Groat position on relations with Nazi Germany and the Tri-Power Pact nevertheless caused some confusion. Matchek was accused of being willing to see Jugoslavia enter the Axis, on practically any conditions, rather than go to war. This attitude did in fact prevail in some circles in Zagreb, as evidenced by two editorials published in the *Hrvatski Dnevnik*, Vice-Premier Matchek's own paper. One of these stated that the "will to co-operate" had been presented to Jugoslavia by the Axis in such a form that "not a single argument which would stand real and serious criticism could have been raised." The other, written immediately after Jugoslavia's adherence to the Tri-Power Pact, stated that "Croatian public opinion had been ready for such a solution for a long time."[9] However, editorials in a similar vein had also appeared in the controlled Belgrade press all through the Cvetkovich régime.[10]

In comparison, the position of the Slovenes was simple. Liberal or Clerical, they gave firm support to the Serbian members of the cabinet who favored resistance to Germany. Fran Kulovec, leader of the Slovene Clericals in succession to Father Koroshec, remained in the new Simovich Government. Later he was killed in the first Nazi air raid on Belgrade.

The change of régime was welcomed in the non-Axis countries. In Great Britain, Prime Minister Winston Churchill announced

[9] *Hrvatski Dnevnik*, March 25 and March 26, 1941.
[10] *Cf.*, for example, *Politika*, March 8, 1941.

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it to the House of Commons as "great news." Greek enthusiasm was limitless. The United States Government hastened to recognize General Simovich and to send him messages of support and encouragement.

The reaction in the Axis countries naturally was the opposite. The German Government showed itself most hostile towards the new régime and the German press opened a campaign which waxed daily in vituperation. On March 28 the German Minister in Belgrade, Viktor von Heeren, made a *démarche* at the Foreign Office and received assurances from both General Simovich and Foreign Minister Ninchich that Jugoslavia would honor all her written obligations. To the correspondent of the *New York Times*, General Simovich said that "all public and open engagements undertaken in the past by Jugoslavia will be respected, and Germany, like all other nations, may expect that formal declarations of previous Jugoslav governments will be officially observed." [11] It should be noted, however, that he made no mention of secret clauses providing for economic collaboration with Germany and giving German troops right of passage through Jugoslav territory. Since it was precisely these clauses that the Germans relied upon to facilitate their military drive against Greece, Herr von Heeren and Signor Giorgio Mamelli, the Italian Minister, made frequent visits in the next days to the Foreign Office in an effort to bring the Government around. General Simovich repeated the assurance of his intention to observe all the country's formal obligations. But that, of course, was not enough.

The situation grew worse hourly. Germany ordered her citizens out of the country and the departure of German diplomatic officers was known to be pending. Nevertheless, on April 1 the situation seemed more hopeful. Through Signor Mamelli came a suggestion that a delegation be sent to Rome to ask the Italian Government to act as mediator. Evidently Premier Mussolini saw that Jugoslavia's entry into the war would further endanger his precariously situated forces in Albania. Foreign Minister Ninchich and Vice-Premier Jovanovich were supposed to head the delegation to Rome. At the same time there came rumors about a possible visit by Matchek to Berlin.

Suddenly, presumably on Berlin's orders, Italy dropped the whole idea. The Jugoslav Government nevertheless continued

[11] *New York Times*, March 29.

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trying to find some compromise that might maintain peace. On April 2 the Jugoslav Minister to Germany, Ivo Andrich, hurried back to Berlin carrying a note for Hitler stating that:

(1) Jugoslavia still hopes even at this hour to preserve her neutrality at all costs short of sacrifice of her independence and integrity. (2) Jugoslavia is willing, even eager, to coöperate with the Third Reich, placing her rail lines at Germany's disposal for transport of foodstuffs and raw materials, but the passage of war *matériel* and troops is out of the question. (3) Jugoslavia as always is willing to coöperate with Germany. (4) Jugoslavia never will declare war on Germany unless attacked, but will resist all unprovoked aggression. (5) Finally, Jugoslavia will respect all outstanding "public and open" engagements with all her neighbors and stands ready to discuss all problems with neighboring powers at all times.[12]

To this note there never was any answer. The following account of what happened has been received from Belgrade: "The Government instructed their Minister in Berlin to come home at once in order to receive new instructions. He was told to seek contact with the German Foreign Minister and to offer any concessions compatible with national honor. He returned to Berlin immediately, and for the last five days preceding the German attack tried to see any official of the German Foreign Office to whom he could transmit the proposals of his government. The only man he finally did see was the chief of protocol, who handed him his passport."

A similar attempt was made in Belgrade. Mr. Arthur Bliss Lane, the American Minister there, has described how Foreign Minister Ninchich asked the German Minister to come to the Foreign Office, with a view to settling any differences which might exist as a result of the change of government. When the German Minister departed for Berlin the invitation was renewed to the Chargé d'Affaires. "Neither the Minister nor the Chargé," says Mr. Lane, "would accept the invitation." [13]

The Government made a last-minute effort to hold off Hitler by signing a treaty of non-aggression and friendship with the Soviet Union. The treaty was negotiated with Molotov by Milan Gavrilovich (who after the *coup d'état* had again become Jugoslav Minister in Moscow), aided by Colonel Simich, a Serbian political refugee who had performed many services for the Red Army and had enjoyed the special regard of Lenin. The idea that Soviet Russia really intended giving Jugoslavia concrete help, or that

[12] *New York Times*, April 3, 1941.
[13] Address at Libertyville, Ill., July 4, 1941.

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anything could make Germany pause, was vain. The mind of the Führer, we now know, had been made up on the very day when the Jugoslav régime changed. On May 4, addressing the Reichstag, Hitler said:

> We were all stunned by the news of that *coup*, carried through by a handful of bribed conspirators who had brought about the event that caused the British Prime Minister to declare in joyous words that at last he had something good to report. You will surely understand, gentlemen, that *when I heard this I at once gave orders to attack Jugoslavia*. To treat the German Reich in this way is impossible.

The orders Hitler then gave were put into execution early on the morning of April 6. This time everything was clear. There was no Sarajevo, and the historians will be saved the effort of discussing the question of war guilt. The answer as to who willed the war with Jugoslavia had been given by Adolf Hitler himself.

### V. INVASION

The rapidity of the Nazi attack on Jugoslavia by land and air spread confusion and disrupted communications. Systematic information about the movement of troops is still entirely lacking. During the twelve days that the fighting lasted the reports received abroad came almost exclusively from German and Italian sources. The story of the invasion can therefore be written in detail only after the war is over. Plainly, however, the resistance of the Jugoslavs would have been stiffer had it not been for a number of unfortunate circumstances, both diplomatic and military.

The Stoyadinovich régime had refused British guarantees at the time they were given to Poland, Greece and Rumania. And in the hope that war could still be averted, the Jugoslav Government had hesitated until the invasion actually began to ask Great Britain formally for active military support. As a matter of fact, inquiries which were put privately to British representatives who came to Belgrade in the early months of 1941 indicated only too plainly that Britain had little help to spare and scant means of making even that little actually available on the spot.

But the major factor was the poor equipment of the army. General Simovich, speaking at London on June 27, 1941, explained how this came about:

> As regards war preparedness, the Cvetkovich Government, in deference to Germany, refrained from taking necessary measures for the defense of the

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country. Moreover, the semi-mobilized forces that were concentrated in the South, more to appease public opinion and the anxiety of the nation than to create real defense, were ordered demobilized by the Cvetkovich Government. The anticipated grouping of our forces and the defense program of concentrating stronger forces on the northern and northwestern fronts did not correspond to the needs of the situation created by the German occupation of Bulgaria. The lack of a stronger strategic reserve made any adjustment of these dispositions impossible. The Government which I formed on March 27 hastened the mobilization, but Germany did not give us time to complete it or to bring about a concentration and the necessary regrouping of our troops. When the war began, the tremendous superiority of the enemy in the air and in his mechanized equipment was felt immediately. The Government at once requested help from the Allies. But the war was over so quickly that the Allies, no matter how willing they were, could not send their assistance in time. Germany, which attacked Jugoslavia almost immediately after the formation of the present Government, forced us to conduct the war exclusively with the means and under the conditions created by the previous Government, which had already sold the country to the enemy.

General Simovich estimated the German forces which took part in the attack on Jugoslavia at 33 divisions, six of them mechanized, besides some two thousand planes under the personal command of Marshal Göring. As the war developed, these forces were supplemented by the armies of Bulgaria and Hungary. Meanwhile the Italians attacked in Slovenia, South Serbia and along the Adriatic coast.

The real strength of the Jugoslav army is still doubtful. Theoretically, the country could mobilize some 1,500,000 men. Her standing army was 200,000. In practice, she could equip and feed only between 500,000 and 600,000. It might be fair to put the number mobilized and armed on the day of the German invasion at 400,000. But only a negligible part of these was able to take part in the decisive battle against Germany on the southern front. Simovich states that "from a total of 18 infantry divisions and 3 cavalry divisions which Jugoslavia had, only five infantry and one and a half cavalry divisions took part in the decisive battles. These divisions were aided by an active and fearless air force consisting of about 300 war planes."

The outcome of this uneven struggle was never in real doubt. Strategically improperly placed, not properly armed, not fully mobilized, Jugoslavia's forces stretched along a front of some 2,000 kilometers. A well-prepared and numerically far superior enemy came against them from three sides. First there was the systematic destruction of the principal centers (including Bel-

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grade, which had been declared an open city) and communications. There followed the decisive strategic blow, the German attack from Bulgaria.

German mechanized forces had been heavily concentrated in southeastern Bulgaria. Most of them had earlier been located on the Bulgarian frontier facing Greece and Turkey, but had been withdrawn and sent to the Jugoslav border after the Simovich *coup d'état*. They attacked in three major directions: (a) through the Strumica Valley toward Salonika; (b) through the Pchinya Gap toward Skoplje; and (c) down the Nishava Valley toward Pirot and Nish. Of the three, the most important was the decisive blow at Strumica, which made possible the encirclement of Jugoslavia from the south and prepared the fate of the Greek and British forces in Thrace and Macedonia. Advancing rapidly, the German mechanized forces within a few days found themselves in control of the lifeline of Jugoslavia, the long valleys of the Morava and Vardar. Skoplje and Nish fell after a desperate struggle. The rest of the operations were of minor importance. In a short time the German units had joined hands with the Italian forces in central Albania. The encirclement of Jugoslavia was complete.

In reality, the Battle of Jugoslavia had occurred on March 1 when the German troops entered Bulgaria. But the outcome of the battle had been decided even earlier — in November 1940, when the Cvetkovich Government refused to accept General Nedich's plan to drive the Italian forces out of Albania before the Germans could entrench themselves in Bulgaria.

From the very beginning the Jugoslav forces were unable to operate as a whole. Decisions were left to regional commanders, who coped with individual situations as best they could. In the highlands between the Bulgarian and the Albanian borders, and in sections of Northern Serbia, the Jugoslav troops fought with heroism and sacrifice and won individual battles. But these could not and did not affect the outcome.

When the battle had already been decided Hungarian troops came in from the north and Bulgarian troops from the south. They came in under cover of the Germans, and with German approval helped themselves to large portions of Jugoslav territory. Jugoslavia had treaties of non-aggression and friendship with these two neighboring states. This fact deterred them not at all.

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## VI. PARTITION

Partition followed invasion and occupation. No other invaded country in Europe has become the spoil for so many aggressors, none other has been cut up into more pieces. The exact lines of the partition are in some cases still unknown. The Axis partners, big and little, still have not settled all their disputes and satisfied all their claims. In some districts, as in Bosnia for example, the forces of occupation seem to overlap. But in spite of the confusion and rivalries there is no real doubt as to who has real control everywhere in the country — Germany.

Germany has formally annexed the northern half of Slovenia, namely the Jugoslav part of the old Austrian province of Styria and a section of Carniola. The rest of Slovenia has fallen to Italy. The demarcation line between Germany and Italy in Slovenia as first fixed ran from a point east of Kochevje (Gottschee) and northwest of Karlovac on the Croatian-Slovenian border up towards the eastern end of the Karawanken Mountains (see accompanying map). On July 9 a new agreement was signed between Germany and Italy moving the line further west, giving Germany additional territory north of the Sava River and in the region of Novo Mesto and Kochevje. Under this arrangement the Italo-German demarcation line in Slovenia runs from a point close to the Alpine town of Kranjska Gora, near the headwaters of the Sava River, thence southwest along the river (leaving the iron works of Jesenice to Germany), to a point northeast of Ljubljana. That city, the capital of Slovenia, remains under Italy. Thence the line turns southeast, heading toward the frontier of Croatia, but leaving Kochevje to the Germans. Italy's "loss" in Slovenia was compensated for by allowing her to cut deeper into Croat territory and to secure control of the Fiume railway.

In addition to the above, the Italians formally annexed Dalmatia and the territory around the Bay of Kotor, including all the Adriatic Islands with the exception of Pag, Brach and Hvar. The original agreement made between Count Ciano and the Croat Fascist leader, Pavelich, left the southern section of Dalmatia to the new Croat state, also a bit of the Coast north of Obrovac. But either Pavelic was not able to control these areas, which include the proud old town of Dubrovnik, or Italy decided there was no need for her to dissimulate her real intentions any longer.

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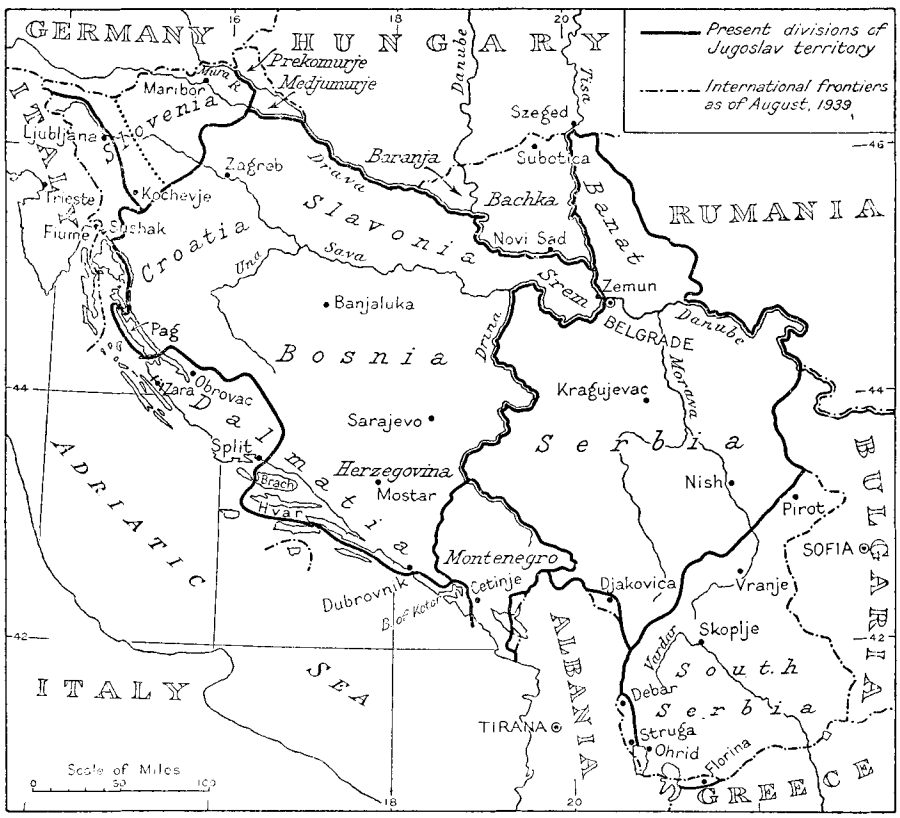
At any rate, Rome reported on August 23 that Pavelic had "asked" the Italians to take over the whole coast.

The Italians have also occupied the towns and valleys of Montenegro as far as the Albanian border. They wanted to expand toward old Serbia and Kosovo Polje, but here they were checked




Serbia is under German military rule, as is the Banat. Germany and Italy have divided Slovenia (the dotted line represents the first line of demarcation). Italy has taken also a section of Croatia; most of the Adriatic Islands; the Dalmatian coast between the Bay of Obrovac and a point just south of Split; and the region about the Kotor. On August 23 it was reported that the balance of the Adriatic coast was also being taken over by Italy. Montenegro is under Italian military occupation. The Hungarians have seized the provinces of Prekomurje, Medjumurje, Baranja and Bachka. The Bulgarians have occupied South Serbia. The rest of the Jugoslav territory has been joined into a so-called "independent" Croatia.

by the Germans, who decided to secure for themselves the important mines of Trepcha. After several months of futile attempts to make Montenegro into another province like Albania, Italy finally succeeded in forming a "National Assembly" which on July 12 proclaimed the "independence" of Montenegro in the capital town of Cetinje. But Mussolini failed to persuade a junior

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member of the old Montenegrin royal family to head the new state, and the "principality" so far remains without a princeling.

The Hungarians, meanwhile, have occupied the northern section of Jugoslavia, known often as the Vojvodina, specifically the provinces of Bachka and Baranja, including the two large centers of Novi Sad and Subotica. The situation in the Banat, which is under direct German occupation, is still not clear. The Rumanians have refused to play the rôle of Hungary, and have not picked up any Jugoslav crumbs after the German and Italian debauch. The Bulgarians, however, have taken South Serbia (Jugoslav Macedonia), and have also occupied part of eastern Serbia beyond the upper Morava River. A definite line has not yet been established, but the approximate northern limit of Bulgarian occupation seems to run along a line drawn from a point northeast of Pirot and ending near Tetovo, close to the Albanian border. Nish remains in the German-held territory, but Skoplje falls into Bulgarian hands.

Serbia proper is under the direct rule of a German military governor with his seat in Belgrade. German forces of occupation of course are present in other sections of the Jugoslav territory also — in "free" Croatia proper, in the Croat-annexed provinces of Bosnia, Herzegovina and Srem, and in the lands which Hungary and Bulgaria have been permitted to seize.

A word more must be said about "free" Croatia. For more than a decade Ante Pavelich, a former Croat deputy in the Belgrade parliament, has been active abroad. First he made contacts with the Macedonian revolutionary movement in Bulgaria, but turned then to more lucrative fields of action in Hungary and Italy, organizing subversive activities there against the Jugoslav state. It was he who formed the terrorist organization called *Ustashi*, composed of left-over functionaries and officers from the old Austrian régime, revolutionaries of various sorts, and adherents of the Fascist group known under the name *Frankovtsi*. And it was his organization that planned and executed the murder of King Alexander. As General Simovich pointed out: "The meetings between Ciano, Mussolini and Pavelich in January and May 1940 are the best proof that Italy, the most intimate collaborator and ally of Germany, schemed the destruction of Jugoslavia even at a time when her relations with us were officially good. At these meetings the dismemberment of Jugoslavia and the creation of an independent state of Croatia were decided."

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When the "independence" of Croatia was proclaimed on April 10, Pavelich had not yet arrived in Zagreb. The engineers on the spot were Slavko Kvaternik and Mile Budak. Kvaternik, a former Austrian army officer, represented the pro-Nazi wing in the *Ustashi* movement. Pavelich arrived in Zagreb on April 14 and took immediate control of affairs into his hands. Whatever rivalry exists or existed between the pro-Nazi elements of Kvaternik and the pro-Fascist elements of Pavelich thus ended in a relative Italian victory. Pavelich became *poglavnik* (leader) and Prime Minister, and Kvaternik became Minister of War. Other members of the "cabinet" included old *Ustashi* such as Andrew Artukovich, Minister of the Interior, and Ivan Lorkovich, Minister of Foreign Affairs.

The rank and file of the Croat Peasant Party refused to join the new régime, and so did its real chiefs. Matchek is believed to have retired to his estate near Zagreb, although the circumstances of this move and later events are still uncertain. Some reports say he has been deported to Germany. August Koshutich, Secretary of the Party, is in jail, and so are many leading Croat democrats and liberals. Some of Matchek's most important collaborators succeeded in leaving the country and joined the Jugoslav Government-in-exile, among them Juraj Krnjevich, at present Vice-Premier of the Jugoslav Government, Ivan Subashich, former Ban of Croatia, and several others.

On May 18 a Croat delegation headed by Pavelich was received in Rome. "Free" Croatia joined Mussolini's *Impero Romano*, in the rank of Albania, and received an Italian prince, the Duke of Spoleto, as King. The long effort of conspiracy and murder had reached temporary success. Seven years after the assassination of King Alexander of Jugoslavia, Pavelich found himself *poglavnik* of Croatia, under an Italian king, and with German and Italian troops in occupation of the land.

What of the future? This will depend on three main factors: the general outcome of the war; the abilities of the leaders who carry on the struggle outside the country; and the steadfastness of the conquered population in continuing spiritual and physical resistance. In the last war when the Serbian armies were finally defeated most of the political and intellectual leaders of the country were able to go abroad and continue working and planning for the day when they should be free again. This time only a handful of government officials was able to accompany the young

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King into exile. But the legal entity of Jugoslavia is being continued by her lawful King and Government, with their seat in London. That Government is recognized by the British, American and other Governments, and in the war which is being fought it is the ally of Great Britain and her allies.

Most important of all is the will of the conquered population to resist the conqueror. Daily reports of fierce uprisings and brutal repressions show that their spirit is not broken. The armed forces of Jugoslavia never surrendered completely. Thousands of soldiers, operating as guerrillas in the mountains of Serbia, Bosnia, Montenegro and Herzegovina, are a symbol that the struggle goes on. Jugoslavia is the first of the conquered countries of Europe where armed revolts have been successfully organized against the oppressor on an important scale. She is beaten but she is not broken. She will live again.

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# THE BLUM EXPERIMENT AND THE FALL OF FRANCE

*By Henry W. Ehrmann*

THE world's first reaction to the military, political and moral collapse of France was stupefaction. This has been followed by all sorts of polemics and accusations. The time has not yet come when the historian, the economist and the sociologist can present documentary evidence revealing the precise intrinsic weaknesses that corroded the Third Republic and caused it to collapse. Meanwhile, partisans will continue their attempts to lay the entire responsibility on certain isolated factors. A favorite myth is that the French social legislation of 1936, and especially the introduction of the 40-hour week, played a determining rôle in crippling the productivity of French industry and in compromising the French war effort. From this the general moral is drawn that the maintenance or broadening of social gains is incompatible with intensified rearmament.

Undoubtedly the French economic structure was so anemic that when it entered the rearmament race it soon lost its breath. The low pitch of industrial production certainly had an important share in bringing about the surprising breakdown of France under the first shock of the Blitzkrieg. But are the causes of this condition to be traced to the impossibility of reconciling labor reforms with the necessities of production? Is the "Lesson of France" to be found in the Blum experiment? Must democracies fail in their fight against the dictators unless, even before the outbreak of hostilities, they put the same restraints on labor, and subject it to the same strain, as do their totalitarian adversaries?

Let us examine the record. In 1936, even before the elections which resulted first in industrial strife and then in M. Blum's bold social legislation, the French economy was suffering from progressive emaciation. Whereas other industrial countries had touched the bottom of the depression in 1932 and from that date had begun an almost uninterrupted rise, the upswings in French industrial production had been abortive. Laval's attempt to break through the crisis by severe deflationary measures had failed completely, with the result that in 1935 the index of production fell to its lowest figure since 1932. Compared to 1929 figures, the volume of industrial production had decreased in

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France by about 31 percent; in the United States by 24 percent; and in Germany by 6 percent. British production had actually increased by 6 percent. On the eve of the 1936 elections the *Bulletin Quotidien*, run by the Comité des Forges, summarized the economic and financial position in the years just past: "It was the worst period we have ever witnessed in time of peace."

It has been widely assumed that at the end of 1935 and the beginning of 1936 a general upswing was in process and that this was broken by the Blum Government's assumption of power in June 1936, and by the burden of its subsequent reforms. Actually, Hitler's show of force in March 1936, and the direct threat which it held for France, had been enough to bring about a new stagnation. The following table, based on the index numbers of production published by the Statistique Générale de la France (100 = 1928), gives some evidence of this development, especially in consumer goods industries. Obviously the improvement had already been interrupted three months before the industrial strife and the consequent social legislation could have had any influence.

| *1936* | *Textiles* | *Leather* | *Building* | *General Index* | *Daily number of carloads* |
|---|---|---|---|---|---|
| January | 88.4 | 81.0 | 75 | 85.9 | 38,000 |
| February | 88.1 | 82.0 | 76 | 86.3 | 41,000 |
| March | 90.5 | 84.0 | 76 | 87.9 | 42,000 |
| April | 87.4 | 82.0 | 75 | 87.8 | 40,000 |
| May | 85.6 | 83.0 | 76 | 87.4 | 39,000 |

From May to September 1936, the period of sit-down strikes and the first paid vacations for workers, a sharp decline in nearly all industrial activities took place. In September 1936 the devaluation of the franc inaugurated a marked upswing, which continued till April 1937. In the very period that the 40-hour week was being introduced all the indices of May 1936 were bettered. In the case of certain industries supplying consumer goods the rise was particularly marked. Exports were only slightly stimulated; while imports increased, especially of materials necessary for manufacturing. Short-time work disappeared almost completely. The number of workers on strike fell to about normal, to rise again after the failure of negotiations between the trade unions and the employer organizations.

The general improvement did not last. Although the Blum Government resigned in June 1937, a new stagnation pervaded the whole French economy. From the beginning of 1938 there was even a marked decline. Rearmament lost its stimulating effect,

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and business returned to a level lower than at the beginning of 1936. Here and there temporary improvements occurred. But on the whole the gap between the economic situation in France and that in other countries steadily widened. Between 1935 and March 1938 the general index of German production increased from 94.0 to 122.9 (1929=100). In the same period the Italian index rose from 93.8 to 105.1, the British from 105.8 to 123.1. Specifically, German coal production increased 14.3 percent from May 1936 to May 1937; French production decreased 11 percent. As for steel and cast iron, German production expanded steadily, while French production rose during the Blum experiment, only to fall again in 1938, the crucial year of Munich and the dismemberment of Czechoslovakia.

II

Premier Blum's hope that it would be possible "to breathe a new breath of life into a suffocating economic and social organism" solely by increasing the purchasing power of the masses was not fulfilled. An indication had once more been given that raising the level of money wages is not in itself sufficient to stimulate recovery. The production of consumer goods shrank again as soon as the rise in prices wiped out the increase in purchasing power which the wage earners had obtained after the mass strikes of June 1936. At the same time, the social classes with a fixed income — rentiers and pensioners, and even the civil servants — saw their real income decline from the very beginning of the Blum experiment. The merely temporary increase in the purchasing power of one section of the population failed entirely to provide the expected "whiplash." [1]

It is curious to note that during the parliamentary career of the 1936 social laws no one foresaw the "disastrous" effects about which there was to be so much complaint later. Even the French Senate, guardian not only of the Constitution but also of financial interests and economic privilege, approved the projected laws by a large majority. Neither the vacations with pay nor the collective agreements which cleared the way for wage increases met with any opposition. The 40-hour law was approved by a vote of 176 to 80. "Lessening the hours of work is the inevitable result of technological progress. Technological unemployment must be

[1] Even such improvement as occurred may be attributable to the long-delayed monetary devaluation.

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cushioned by lessening the hours of work. Furthermore . . . the 40-hour week seems to be one of the essential conditions for social peace." Such was the conclusion of a Senate committee. It appears that the senators judged the effects of the experiment more realistically at the beginning than they did later.

Any attempt to determine the exact amount of the increase in labor cost caused by the new legislation is handicapped by the universally admitted defectiveness of French statistics and economic documentation. The Government which came into power in 1936, although it established a Ministry of National Economy and proceeded to undertake social reforms on a large scale, did not make any effective change in this respect. However, the detailed information provided by M. Détoeuf, the director of a Parisian concern producing electrical equipment,[2] is so similar to that given to the writer by trades union leaders, and it coincides so closely with official statistical averages that we seem reasonably safe in making certain deductions from it. In this particular concern, the cost of the work hour (in terms of wages) increased 72 percent between the beginning of the experiment and October 1937, shortly before the promulgation of a decree allowing exceptions to the 40-hour law. This figure includes the increases resulting from collective bargaining and subsequent arbitration proceedings as well as those due to the paid vacations and the 40-hour week. For the salaries of white collar employees, the rise of labor costs was only 60 percent.

In subsequent discussions there often has been confusion between this increase in the cost of the work hour and the increase in total net costs.[3] In the industry chosen as an example, which seems to be representative of many others, wages constituted 25 percent and salaries 15 percent of the total net costs. Therefore the direct incidence on production costs of all the benefits which French wage earners won under the Blum experiment is not higher than 27 percent.[4] Of this, only 8 percent was caused by the 40-hour week.

Considering on the other hand the increase in the price of raw materials, executive salaries and general expenses, M. Détoeuf

[2] *Cf.* A. Détoeuf. *Nouveaux Cahiers*, April 15, 1937, p. 2–5.

[3] The *New York Times* in its controversy about the "lesson of France" with Secretary of Labor Perkins falls into the same mistake (October 9, 1940).

[4] We reach this figure by multiplying the share of net costs represented by wages (0.25) by the share of increase in work hour costs (0.72), and adding the result to the figure obtained by multiplying the share of net costs represented by salaries (0.15) by the share of increases in work hour costs (0.60).

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indicates that the total increase in net costs in his concern, and in similar concerns, was about 50 percent. In this period, the average rise in labor costs per work hour was apparently about the same as in M. Détoeuf's enterprise. Figures published by the Statistique Générale de la France indicate an increase for male workers of between 57 and 64 percent.[5] During the same period, the official index for wholesale prices for industrial products increased by 61 percent. This indicates that the basic industries did not bear the burden of the social reforms about which their proprietors complained so bitterly. Actually, the net profits announced by representative enterprises for 1935–36 and 1936–37 show (according to figures published in the very conservative *L'Activité Economique* of April 30, 1938) an increase of 112 percent for the chemical industry, 78 percent for metallurgy and commerce, 39 percent for foodstuffs and 23 percent for mining. The net profits of 122 undertakings in various branches rose by an average of 36 percent. These figures, largely for big business — and in France big business was defense business — certainly do not support the assertion that the Popular Front paralyzed production by suppressing or limiting profits.

III

It is generally agreed, among others by the official Inquiry into Production,[6] that French industry had chronic defects which raised costs to a much higher level than in other countries with comparable economies. Insufficient rationalization and inadequate scientific organization of work, lack of standardization and incompetent commercial methods, combined to make French industry and commerce especially sluggish under "depression" conditions. The same factors impeded effective competition on the world market, despite the price advantage created by the Blum devaluation.

While the Popular Front reforms were in full bloom there still was hope that "the increase of the social burden resulting from the new legislation will compel thousands of producers to compare the conditions of their production with those of foreign countries and to recognize that structural defects are responsible for their excessive net costs and for their constantly diminishing

[5] The figures given by the *Bulletin* of the Statistique Générale (v. 27, p. 237–264) have been corrected by adding the costs for paid vacations.

[6] *Journal Officiel*, December 16, 1937.

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exports."[7] Subsequent developments banished this hope. Indeed, the contrary occurred. Several important branches of industry announced that, in view of the increase in net costs, they were simply going to discontinue re-tooling and even normal maintenance. Such was the lack of vigor and resilience of French industry that the coal-mine operators, for example, deplored the rising dynamism of the electrical industry. They had "adjusted" themselves to the economic slump and resented attempts to expand activity.

Timidity was also a general characteristic of the last years of the Third Republic. It arose both from the fear of external aggression and from a feeling of political and social instability. In November 1938, when the Blum experiment had been long since liquidated, Paul Reynaud reported to the President as follows: "The creative spirit and the taste for risk have all but disappeared. Let us not fear to say it: this is the basic evil, for it adds a normal abdication, as it were, to our economic depression."

Another "basic evil," no more due to the social legislation of 1936 than were lack of industrial organization and insufficient consumption, was the defectiveness of the French system of credit. At the very beginning of the Popular Front Government, in June 1936, the combined opposition of the Senate and the Communist group in the Chamber of Deputies defeated the plan to nationalize the Bank of France, advocated by an inter-ministerial commission as the first step in a reform of the whole credit system. The Government thereupon abandoned the idea of placing control of the banking system in the hands of the Bank of Issue, and also refrained from amending its statutes to include regulations concerning discount and credit. Regulations of that sort are common form in other countries. As a result, the Bank of Issue remained without influence in the distribution of credit among the various functions of the economic organism. No change was made in the unsatisfactory requirements for medium and long-term credit. The so-called "Spinasse" loans, introduced by the Government in August 1936, helped smaller enterprises to meet the new conditions but did not provide a solution for the credit problem. Only 13,000 such loans were granted during the first year of the Blum experiment. Apart from these facilities, it was almost impossible to obtain credit except at prohibitive interest rates, 9 to 12 percent.

[7] P. Jéramec in *Revue d'Economie Politique*, 1937, p. 777.

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France had a weekly deficit of more than a billion francs. Her public expenditures were more than one-half of the national income, compared with 27.5 percent in the United States and 32 percent in England. The banks provided credit for the treasury and very little else. In 1935 the total bond issues of private corporations amounted to only 12 percent of Government issues; in 1936 the figure was 7 percent; in 1937, 18 percent; in 1938, 13 percent. The Blum Government neither developed new sources of revenue nor did it dare to move toward a more effective collection of taxes. France remained the classic country of tax-evasion.

The fear of being accused of "etatism" embarrassed the Government also in the matter of the export of capital. The country was steadily being impoverished. Some 38,250 millions of "Poincaré francs" were exported from 1935 to 1937. In addition, French bank deposits in foreign currencies mounted in March 1938 to at least 3,452 millions. Both these types of capital export impeded investment and made a normal functioning of the national economy next to impossible. The resulting shortage of credit was primarily responsible for the difficulty which French enterprises — particularly the small and medium-sized ones — experienced in efforts to absorb the costs of social reforms. Only the big corporations could compete for public orders, because they alone could afford the long delays in government payments. Thus while whole business streets in Swiss towns were owned by Frenchmen, French defense production and the French middle classes suffered from the dearth of capital.

"You are afraid," said a great French industrialist in an attempt to dissuade his colleagues from their practices. "Your actions, individually reasonable, are collectively stupid. Tomorrow it will be too late."

IV

The decay of the French economy can be explained without even mentioning the 40-hour week.

In 1935 and 1936 a shortening of the working week was looked to by large masses of wage-earners as the touchstone of every good — prosperity, leisure, abolition of unemployment. French public opinion was somewhat surprised, however, that in most industries the reduction of the working hours led to a total stoppage for two consecutive days every week. The Government itself was at first opposed to this practice. But the trade unions and

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employer organizations desired, for different reasons, an eight-hour five-day week.

In order to simplify enforcement most of the government decrees prohibited working more than one shift. This system in general permitted supplementary help to be employed only in so far as there was extra space available in the plants. The meagre statistics available reveal not only that most industries limited the work of men to 40 hours but that they worked the machinery only 40 hours also instead of hiring additional workers. In December 1937 at a time when the 40-hour week was at its apogee, 16.9 percent of the workers worked less than 40 hours. In enterprises which, for various reasons, were not subject to the 40-hour law, only 1.53 percent worked as much as 48 hours; and 51.31 percent worked 40 hours or less despite the absence of any legal limit. Six months later, when certain decrees had already begun to make exceptions, only 0.1 percent of the workers were employed for more than 40 hours and 21.8 percent for less. In April 1939, when a decree practically restored the 45-hour week, a competent official of the Statistique Générale wrote that the measure was taken at a time when the fall in orders seemed not to make it necessary.[8]

The Inquiry into Production (after severely censuring French methods of industrial organization and the lack of credit) set itself to discover whether or not the 40-hour week caused a shortage of skilled labor. While it stated that in general no such shortage existed, the report added, however, that in some industries, especially mining, difficulties had been experienced in procuring the necessary skilled workers. This was certainly not a direct consequence of the 40-hour legislation, because after the work hours had been shortened no supplementary help was taken from the labor market. In December 1937, when the Inquiry published its conclusions, there were still nearly 338,000 unemployed persons on relief, and these statistics cover only a part of the unemployed. Official estimates have put the actual number at least 1.7 times higher. We therefore can fairly assume that the total number of unemployed, at the moment the 40-hour week was fully applied, was near 575,000, that is to say, 5 percent of the total working population. At the same time, the public placement offices for all France advertised only 3,800 offers of work which were not taken up. In the case of mining, chemicals, engineering

[8] A. Sauvy, *Bulletin du Centre Polytechnique d'Etudes Economiques*, May 1939.

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and metal works, the only branches of industry where highly skilled workers might have been needed, a total of only 477 offers of work could not be met.

True, such data may not present a complete picture of the situation, for employers often refrained from using the public placement offices, considering them another instance of state intervention and an attempt to encroach upon their rights. But then it is not possible to assert that the labor market was exhausted. The attitude of many French industrialists in this period is revealed in the remark of an observer sympathetic to the employers: "Often heads of enterprises have hesitated to hire new workers that they were not certain of being free to dismiss in case their business slowed up." [9] This means, in less obscure language, that for political reasons and from fear of union control employers failed to increase production even when they could have done so and when sufficient labor was available.

Even if an increase in production had produced a critical shortage of highly skilled and specialized workers, vocational training and the development of apprentices could have provided the necessary labor reserves. But since the World War both had been neglected. Nobody in France had an exact picture of the existing reserves, and the facilities for technical training were inadequate. The Conseil National Economique in its 1937 inquiry into unemployment pleaded for more precise information. "We found that the search for skilled and trained unemployed workers is not sufficiently systematic. . . . Investigations for the retraining of the unemployed have been conducted only in the Paris area and even there solely in the engineering industry. . . . Unfortunately it is impossible, for the time being, to estimate the number of skilled workers or of those workers who could readily be retrained and whose reëmployment may be realized by the full application of the 40-hour week."

In other words, essential prerequisites to any successful attempt to reduce the working week were lacking in France. But this cannot be taken as demonstrating the inherent danger of any effort anywhere to shorten working hours.

We have heard much about the "calamitous" influence of the 40-hour week on French defense production. Yet from the first moment when it began to be applied, all the decrees emphasized that any number of supplementary hours could be authorized

[9] *L'Activité Economique*, October 31, 1937.

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for defense work. At the end of 1937, the Report of the Inquiry into Production stated that the workers had agreed to accept whatever exceptions were necessary in the interests of defense production, asking only for guarantees against abuses.

V

One might have expected that the 40-hour legislation, badly handled though it was, would at least have increased labor productivity by diminishing overwork and fatigue. In fact, the contrary happened. In the mining industries, for instance, the average productivity per worker declined 8.5 percent between the beginning of 1936 and the end of 1937; and later the decrease became even sharper. Although figures are not available for other industries, personal studies by the writer indicate that the falling off was fairly general. In some branches of the machine industry coöperation between employers and the trade unions seem to have raised productivity. But there have been reliable reports which revealed a marked lowering of productivity in the aeronautical, construction and textile industries. But it is important to observe that these declines were felt long before the Blum reforms were enacted. The psychological discouragement of the workers in the years of deflation and the insufficient replacement of obsolete machinery were taking their toll in French production.

After 1936, retooling was undertaken on too small a scale. Nor was compensation found in a new spirit among the workers. In general, the French labor movement failed to recognize that a rise in individual output was the necessary complement of the legal reduction of the working hours. The schism in the movement had been solved on the surface by the reunification of the reformist and Communist wings. But the leadership was afraid of incurring the hostility of the newly acquired radical members and hence avoided making any appeal for intensified work. It is probably true, too, that the rising Communist influence in some areas aggravated the tendency towards decreased productivity. Certain "colonized" unions adopted the "slow down," or outright soldiering. Strikes for political motives became more frequent. There was a prolonged "strike atmosphere" in industrial centers, and this tended to decrease productivity.

All this having been said, the fact remains that to attribute the decrease in labor productivity solely to the influence of one political party would be to underestimate the complexity of the prob-

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lem. A decrease almost always occurs in periods of social and political conflict. Perhaps it is a symptom of our times. But the Blum Government, which wished to keep its activities strictly within the framework of the traditional French economic structure, was obliged to overcome these difficulties or to fail. It failed.

VI

It was not the social policy of Blum's New Deal but the inadequacy of its economic measures which contributed most to its failure. The Popular Front was deliberately reluctant to touch the fundamental structure of French economy. It proposed a series of half reforms instead of a single program of real reform. It evoked vague hopes for "a better future for all," but did not indicate a clear and broad path towards the realization of that future. Hence the confusions, not to say contradictions, of its program. Its social policy tended toward high wages and low retail prices. Its economic policy aimed at an increase in profits and abundant capital. The social policy pointed toward increased leisure for the workers; the economic policy could have become successful only by an increase in labor productivity.

It might not have been impossible to find a common denominator for these objectives. In 1936, however, the difficulty of finding a solution was greatly increased by the desperate condition in which France found herself after years of futile deflation and repeated postponements of devaluation. The Popular Front Government, whose every act was gropingly empirical, neglected first to state and then to achieve its principal aims, and contented itself with futile efforts to reconcile the apparently irreconcilable. Léon Blum and his ministers limited themselves to appealing for expressions of confidence in their program — for the workers to increase productivity and not to trouble the social peace, for the employers to invest and to produce. The workers answered the appeal by the sit-down strikes and other actions which decreased productivity. Capital answered by flight, by its own form of "sit-down," and by other varieties of financial desertion.

In turbulent periods, when individual and group fears predominate, not even democracy can limit itself to persuasion alone. Millions of Frenchmen thought that the Popular Front would enable them to avert a fruitless revolution and would, at the same time, lay the foundation for a new national integration. But the French political system and the French organization of economy

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were both so outdated that the Government could have attained those aims only by a sweeping reform of the political and economic structure of the country. Such a policy would not necessarily have required a change in system: a thorough alteration of credit and banking, the enforcement of new methods of industrial organization, some important administrative changes, and eventually some rather simple revisions of the prerogatives of the Senate, could have provided the basis for a renaissance of the French Republic.

When it became clear that the bold aspirations of the Popular Front were not to be guaranteed by a realistic economic policy, and that the gains which had been won were doomed to be lost again, the supporters of the program scattered in discouragement. Thereafter the struggle among groups and classes, far from diminishing, became more sharp. The notion of revenge for 1936 dominated industrial relations and political life up to the bitter end and even persisted after the Armistice. It accelerated the processes of decomposition and resulted finally in national surrender and suicide.

A few days after the fall of the Blum Ministry, Paul Reynaud, turning toward the overthrown Prime Minister, cried: "France can no longer afford to deceive herself. Democracy does not have the right always to fail. You know as well as I do that it is the Republic itself which is being challenged."

In the present hour when these two leaders of a defunct democracy are, at the orders of the conqueror, facing trial before a High Court, these words acquire dramatic significance. But the Popular Front's share in the failure of French democracy is quite different from the activities which have been investigated by the High Court at Riom or from that charged by advocates of the thesis that social gains cannot be maintained in periods of national emergency. The Blum Government, not excluding the Socialist ministers, was continually dominated by the fear of transgressing their pledge not to touch the structure of the French economic system. Afraid to bring about "socialism," they did not dare to change anything in the existing framework of "capitalism." To present a constructive plan of economic reform seemed to them impossible because they had been elected on the basis of an incoherent program composed mainly of slogans. Instead of guiding and educating public opinion to permit the adoption of necessary economic steps they confined themselves to a series

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of timid actions which made democracy absurd when it ought to have been approaching a climax of success.

Even the devaluation of the franc, which could have modified existing economic and social relations and created the prerequisites for a thorough reform, actually was not the motive power of the Government's policy but only the result. Measures against the flight of capital and tax-evasion were believed to be steps toward totalitarianism; price and cartel controls were labelled a menace to democracy.

Introduced under auspices such as these the new social legislation could not be maintained. So long as the problems of public finance and of the private capital market had not been solved, so long as industrial organization had not been improved, it was difficult to reconcile the rise in labor costs with the production necessities of small and medium-sized enterprises. So long as the necessary organs of control had not been created, so long as the hostile attitude of employers and high officials had not been overcome, it was not possible to guarantee the necessary flexibility to the wage-hour legislation. So long as the labor movement had not been educated to its new responsibilities it was impossible to increase productivity.

Had Blum's efforts "to obtain a certain amount of social progress and human equality within the republican form of Government" been accompanied by a sufficiently sweeping program to get France off an economic dead center, French democracy need not have failed. Indeed, it is not at all certain that Hitler would have dared send his troops against a regenerated France which had provided her peasants and workers with a "new order" worth defending. The failure of the Blum experiment proved once more how profound was the French decay. Its failure, not its achievements, encouraged Nazi Germany to risk aggression and helped give it the victory.

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# THE INTER-AMERICAN BANK: PROSPECTS AND DANGERS

*By Eduardo Villaseñor*

THE first Pan American Conference, in 1890, recommended the granting of charters which would favor the development of inter-American banking transactions, and particularly those which would lead eventually to the establishment of an International American Bank with branches or agencies in each constituent nation. With only one exception, in 1902, there was no further mention of such a bank for forty-three years. Then in December 1933 the seventh Pan American Conference recommended the establishment of an inter-American organization for economic and financial coöperation, to consist of a governing board, an economic advisory committee, and an Inter-American Bank. The Bank would aim particularly to establish and develop inter-American credit and capital movements, and it also would coöperate in monetary reconstruction in each nation.

These plans were discussed further at Buenos Aires in 1936 and at Lima in 1938, and again at the meeting of Foreign Ministers of the American Republics, held in Panama in 1939. On the last-named occasion it was decided to create an Inter-American Financial and Economic Advisory Committee, consisting of 21 experts in economic matters, to sit in permanent session at Washington, beginning in November 1939. Besides studying problems relating to monetary affairs, the regulation of exchange, balances of payments, etc., this Committee was given the duty of examining the need for an inter-American banking institution to promote financial coöperation between the treasuries, central banks and similar institutions of the American nations.

Bearing in mind these facts, the Mexican Delegate to the First Meeting of Finance Ministers of the American Republics, held in Guatemala in 1939, again put forward Mexico's proposal (already presented at previous conferences) for the creation of such an institution. It was to have the following functions: (a) To act as an inter-American clearing house, thus reducing international movements of gold and silver to a minimum. (b) To act as financial agent of the affiliated central banks in the international capital market. (c) To assist affiliated central banks in stabilizing the internal and external value of their respective currencies. (d) To

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make a systematic study of trade, exchange, and other problems which concern or interest the affiliated banks as a whole. (e) To undertake, subject to a contract with the Government of the United States, to accept not only gold in settlement of international balances owing by any country, but also silver, in amounts and at prices considered appropriate. All these functions were implicit in previous Mexican proposals. But on this occasion the Mexican Delegation expressly added the following: (f) To act as a channel for the investment of capital which will promote sound economic development in the American Republics.

After considerable discussion the meeting decided that it was "desirable that the necessary capital be invested for the promotion of the agricultural and industrial development of the various countries in this hemisphere," and requested the Inter-American Financial and Economic Advisory Committee to investigate the desirability and possibility of creating the necessary institution. This the Committee set out to do. With the constant coöperation of the Mexican Delegate, a Convention and by-laws for an Inter-American Bank were drafted and sent to every nation on the Continent.

On May 10, 1940, the Convention was signed by the following countries: Bolivia, Colombia, Dominican Republic, Ecuador, United States, Mexico, Nicaragua and Paraguay. Brazil signed three days later. In order that it may become law the Convention requires ratification by Congress in each of the signatory nations; and, in the case of the United States, the granting of the Charter in order that the Bank may start business.

II

According to its by-laws, the Bank will be a corporation constituted by the signing and ratifying nations. They will subscribe shares, each worth $100,000, in proportion to the importance of their foreign trade in 1938. For this purpose the signatory nations are divided into eight groups, each of which must subscribe a minimum number of shares as follows: 5 shares, Costa Rica, Ecuador, El Salvador, Haiti, Honduras, Nicaragua and Paraguay; 10 shares, Guatemala, Panama and the Dominican Republic; 15 shares, Bolivia; 20 shares, Uruguay; 25 shares, Peru; 30 shares, Chile, Colombia and Cuba; 35 shares, Mexico and Venezuela; and 50 shares, Argentina, Brazil and the United States.

The Bank's head offices will be in the United States, with

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branches or agencies in each of the signatory nations. It will be governed by a Board of Directors consisting of one director for each participating country, appointed for a period of two years. The Board, meeting at least four times a year, will appoint a President and one or more Vice-Presidents who will hold office for a period of two years; and it may appoint an Executive Committee, and, by a four-fifths majority vote, it may delegate its powers to this Committee, or to any other committee, or to its officials.

To carry out its purposes the Bank is given the powers usually exercised by commercial and investment banks, as well as those exercised by central banks. It may deal not only with the participating governments, their fiscal agencies, central banks and local governments, but also with private individuals and business firms. In dealing with private customers the Bank's powers are limited by provisions that loans and other credits made for longer than two years must be guaranteed by the respective governments. Subject to these provisions the Bank can make short-term, intermediate and long-term loans in any currency; deal in securities or bonds of any of the participating governments (provided the interest services are not in default); guarantee credits and loans made to any participating government; act as a clearing house for banking funds and credit instruments; deal in precious metals, currency and foreign exchange on its own account, and on account of others, and secure the availability of foreign exchange at agreed rates; issue or sell debentures or other bonds or securities of the Bank; borrow in any other manner from the participating governments and from local governments, banking institutions or nationals of the participant countries.

It may also receive demand, time and custody deposits, paying interest only on deposits of national or local governments, fiscal agencies and central banks; discount and rediscount bills, acceptances and other securities and credit instruments; rediscount with any government, fiscal agency or banking institution bills, acceptances or other instruments of credit taken from the Bank's portfolio; open and maintain sight, time and custody deposits and accounts for governments and banking institutions, and arrange for both the latter to act as agents or correspondents of the Bank; act as agent or correspondent of any participating government or of fiscal agencies, central banks and local governments; buy, sell or deal in cable transfers, accept bills and drafts drawn upon the Bank, and issue letters of credit.

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III

Evidently the Bank's scope is very wide. The Board of Directors can set it upon a policy of preferential aid to governments, or upon a policy of aid to private investments. Which seems the best for it to follow?

Let us consider first of all the possibility that the Bank will make loans to Latin American Governments to meet budget deficits.

Throughout history, but above all in recent times, governments have encountered budget difficulties. Their nature varies. There are the difficulties of extremely poor countries which can barely meet the essential expenditures connected with the insignificant services of their governments. And there are the budget deficits of richer and more developed states which have large outstanding public debts.

Sometimes budget difficulties are due to the sudden loss of a country's main export market, following the opening up of new centers of production in other parts of the world.[1] In other cases, they may be the result of a general falling off of exports, due to a world depression, or to the collapse of markets due to war; or to the loss of crops or to military, political or labor troubles at home.

At other times governments find themselves in difficulties as a result of wasteful spending, or corruption, or, finally, because they insist on paying interest on their foreign debt in spite of the fact that revenues are meagre, a procedure which may render the treasury unable to meet important domestic services.

Now it does not seem advisable for the Inter-American Bank to grant loans for the purpose of balancing budgets — except, perhaps, in times of world depression when they are one of the means of meeting the situation. The mere recital of the causes which may give rise to a budget deficit suggests that once the Bank started to grant loans of this type they would exhaust its scanty resources. After a few years the capital would have vanished, and for all practical purposes the Bank would have gone out of existence.

[1] A typical example is that of Mexican *henequén* (sisal), which for years enjoyed a monopolistic position in the world market, but which has been largely ousted from European and American markets by the production of colonial countries where plantation workers receive such low wages that they resemble slaves.

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IV

Then there is the possibility of loans to central banks to assist them in maintaining their exchange rates.

This is one of the operations which attracts special attention both in the United States and in Spanish-speaking countries, since it appears in every way to be a sound technical measure which allows a central banking institution to escape the hazards of a passing danger until the foreseen recovery is under way. Moreover, it appears to be one of the procedures expected of the Bank by many of the advisers who can help form its policy. Thus Mr. A. A. Berle, Jr., Assistant Secretary of State of the United States, has said:

> It is interesting to note that the Inter-American Bank, proposed fifty years ago, is now at length nearing reality. Such a bank has many uses; but its most important use would be to free the exchange between the American countries from the necessity of balancing up every few days, or every few months, or even every year or so. When it is fully developed, as I hope it will be, the Inter-American Bank should be a means by which dollars may be made available to, let us say, Brazil or Chile; and by which Brazil or Chile may repay the debt not in dollars, but in milreis or pesos, which can be converted into dollars, if, as, and when there is a suitable opportunity, but which need not be converted into American dollars unless it is convenient and sensible for both countries to do so. It should be the beginning of a system in which finance is the servant of exchange and development, and is adjusted to that commerce and that building which serves the various countries — in direct contrast to the older system, which insisted that the development and the commerce must serve finance, or it could not go forward.[2]

In my opinion, however, this is precisely one of the great dangers which might be encountered by the Inter-American Bank if it should decide to grant this kind of loans. And certainly it would be a danger for countries whose central banks resorted to this expedient in order to uphold their exchange when trade conditions did not warrant it. In fact, the assistance which Mr. Berle expects the Bank to give the central banks of any participating nation seems to aim at maintaining the exchange rates.

With regard to stability there are, generally speaking, three schools of thought.

One prefers to keep the exchange rate stable even at the cost of losing gold and impoverishing the country, since this procedure makes possible the purchase of foreign goods which cannot be

[2] "Peace Without Empire," *Survey Graphic*, March 1941, p. 107.

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paid for from the sale of the country's own produce. The result is a sort of domestic depression, a general impoverishment due to overbuying, alike in business, in domestic production and in the Government's revenue.

A second prefers to maintain home prices and abandon the exchange rate, because it considers that any hardship brought about by depreciation is less than the impoverishment and depression which would ensue if the exchange rates were kept stable. In this case, a loan granted to the central bank would be of no avail, and we therefore need not deal with this point.

The third school of thought is prepared to sacrifice the exchange rates, and even the domestic price level, so long as an uninterrupted rate of economic growth is maintained within the country. In such a case, a loan granted to a central bank need not necessarily be wasteful or dangerous, provided the country's state of economic development allows it to increase its exports, for these would replenish the central bank's reserves and enable it to repay the loan without any further difficulty. In this case the country's comparative prosperity would probably attract private capital, so that the original loan would actually be no more than a forerunner of subsequent investment.

Let us revert for a moment to the first case, when the loan is granted with a view to maintaining the exchange rate at a level convenient for other countries, but not convenient for the borrowing country. There is every reason to believe that such a loan, granted to uphold an unadvisable rate of exchange, would not be repaid for a long time. In this connection I might quote from a statement of the Mexican Delegate to the First Meeting of Finance Ministers at Guatemala, made when the Finance Minister of Honduras sought a remedy for that country's lack of foreign exchange:

> I believe it will be very difficult to alter the nature of a balance of payments merely by borrowing foreign exchange. In my opinion, you can solve balance of payments problems only through measures that go deeper, rather than through the obvious one of obtaining loans which will bring about a temporary equilibrium at the most.
>
> In Mexico we call such credits — that is, those granted to the central bank at a given moment in order to correct what at first appears to be a temporary disequilibrium in the balance of payments, but on closer examination turns out to be a more permanent disequilibrium — "phantom credits." We call them phantom credits because they do not increase the country's economic capacity. . . .

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If you have, on the one hand, the purchasing power of a country, and, on the other, the purchases which it makes in a given period of time over and above the amount permitted by its exports, that country, in fact, has but two alternatives: either it reduces its debit items, such as imports, or it increases its credit items, such as exports.

On reaching this state of affairs, one of two measures may be adopted: exchange control, or exchange depreciation. The former restricts imports to the extent to which the central bank permits purchases from abroad with part of its foreign exchange holdings. Depreciation is a way of restricting the nation's purchasing power and of stimulating exports. But if we assume that neither measure is desirable, then the only solution to these problems is to achieve, through careful, adequate, and sound organization, a more rapid internal economic development, in order that the purchasing power of the country may increase. In debtor countries it is not possible for such development to be brought about by domestic capital only. . . .

If the economic development of a country does not proceed on sound bases, any measure taken will do as much good as aspirin does in cases of typhoid fever. You may relieve the headache, but you do not kill the disease.

Making allowance for possible inaccuracies in this oral statement, I think the argument still holds.

V

Let us now consider loans to Governments for carrying out public works in periods of depression with the aim of promoting recovery. This is the type of credit which I consider desirable for the Bank to grant. On one side there is certainty of repayment; on the other, such credits benefit the borrowing nation.

The South American Continent is backward economically, and economists still point out that in the main it is important as a producer of raw materials only.[3] It contains untouched natural resources which could be utilized to increase economic activity generally and to further state enterprises for which capital is not available. The type of enterprise which the state should undertake has tended to become more clearly differentiated from that which should be assumed by private investors. Among the former are highway construction, the building of dams to provide water and hydroelectric power, the modernization of ports, etc. Latin American countries often are unable to carry out such schemes due to their inability to obtain long-term credit at moderate

[3] In a recent article entitled "Hemisphere Solidarity," published in *Survey Graphic*, March 1941, Mr. Nelson A. Rockefeller notes that one of the major objectives of the Office for Coördination of Commercial and Cultural Relations between the American Republics is to lessen the dependency of Latin America upon Europe as a market for raw materials and to foster North American coöperation in enterprises of mutual interest for the American nations.

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rates. If the plans submitted are carefully studied, and if the country's ability to pay is considered as a function of its future economic development, then I think the Bank will be able to invest its capital in such projects safely and that it will play an important part in the economic development of the Continent.

When such works are carried out in times of depression, experience in many countries, notably Sweden, shows that they have the advantage of preventing the slump from becoming more serious. They may even reverse the downward trend in economic activity, and may initiate, sometimes spectacularly, a period of sound recovery. This is of interest not only for the country directly concerned but for all the countries with which it trades.

Professional bankers may have their doubts regarding the wisdom of the Bank's making investments in the form of credits to central banks. They might feel similarly skeptical about the safety of loans for promoting public works. But I do not think they ought to refuse to consider such loans in view of the experience of other countries besides Sweden. The United States itself emerged from its worst-known depression by means, among other things, of a vast public works program. Even Mexico adopted a similar policy, with the result that the Government has been able to cope with a serious lack of new foreign and national investment and with the difficulty of the economic war launched against Mexico in 1938 by the expropriated foreign oil companies.

New enterprises require a spirit of adventure which individual investors do not always possess. The new types of investment which I have in mind may offer more safety, and still yield higher returns than many of those more generally known to the market. I think particularly of improvements to the land, and the establishment of new factories and the provision of new equipment for old ones. In such cases, the Bank could either grant the loans directly (when the amount is small) or it could re-sell the securities of the enterprise to the public and, if necessary, guarantee them.

An inquiry among the New York banks doing business actively in Latin America would yield an important list of opportunities which those banks are not in a position to undertake now, especially when it is a matter of long-term investment. Under this heading I would include, broadly speaking, the following:

1. Land improvements designed to increase the yield of com-

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modities readily marketable either at home or abroad. I have in mind especially cases where the new investment would lower the cost or better the quality. The production of rubber in hitherto idle regions is an example of the sort of investment likely to attract attention in the United States.

In this group we may also include settlement schemes, whether involving internal readjustments of population or immigrants from Europe. Mr. George L. Warren, Executive Secretary of the President's Advisory Committee on Political Refugees, has pointed out two essential conditions which must be met if settlement schemes are to succeed:

> *First*, specific projects of settlement must be carefully planned and documented on the basis of reasonably exhaustive scientific inquiry. A cycle of investment and eventual return over a period of years must be convincingly worked out. Such a cycle might include an original contribution of land by the receiving government; other benefits and advantages special to the area to be settled; the issuance of bonds; the guarantee of interest by the receiving government; plans for the distribution of the increment in the value of the land to the government, the settler, and the private investor through the settlement corporation; definite plans for specific crops; information about internal and export markets; the selection of competent settlers; the methods of allocating land; the settlers' prospects of repayment in time; and the distribution of income to the different parties at interest. This is a difficult but not necessarily an impossible condition to meet. . . .
>
> The *second* condition is that private investors must have some reasonable assurance of government coöperation to warrant the hope that if private funds are invested initially the greater share of the investment burden and risk will be assumed by the government to carry on what has been started. Furthermore, private funds must come in the first instance from general public subscription. It is too large an undertaking for any specially interested group to undertake alone.[4]

Mr. Warren's remarks were made with particular reference to refugees from Europe, but I think they are equally applicable to the problems that arise in connection with schemes of internal settlement.

2. The establishment, improvement, or modernization of factories producing commodities with an assured home market and with possible markets abroad, and which might be able to lower production costs as a result of securing cheaper labor and raw materials.

3. The establishment and development of hydroelectric power plants, preferably for industrial use.

[4] "The Prospect for New Settlers," *Survey Graphic*, March 1941, p. 168.

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4. The establishment and development of hotels in ports and towns likely to attract tourists.

5. The establishment and development of steamship lines. The Bank's assistance might be highly important in providing sea connections for regions now rarely visited by ships. The new lines need not necessarily be of the same importance as the large international shipping companies now in existence. I think of small ships, partly freight and partly passenger, plying between small places on both coasts of America, as well as of larger ships to provide direct transportation between various Latin American countries which now either have no such facilities or very poor ones. Shipyards to build the ships might also be constructed.

6. The establishment and development of air routes for passenger transport to places not yet touched by the large American airlines or their subsidiaries. In Mexico, numerous short lines could be established profitably and operated in connection with the larger international lines.

VI

In this analysis of the courses open to the Bank I have dwelt particularly on the type of operations which I believe should be preferred. I also have tried to indicate some possible dangers. It is true that the possibility of obtaining loans to relieve government financial difficulties operates as a strong stimulus for the foundation of the Bank. And it also is true that the Bank might find difficulty in abstaining from this type of operation when commencing business. Yet I believe that to follow the line of least resistance might rapidly use up all the Bank's resources.

On the other hand, if from the beginning the Bank is able to establish a sound policy, if it extends credits only for the type of investment which leads to the economic development and improvement of the peoples of America, then it will assure its own life for a long term and it also will create a continental community of interests which is not yet entirely evident. The American Continent must increase the value of its resources, both by increasing the action of capital as well as by increasing human efforts. Unless it does so it will continue, in contrast to its geographic unity, to suffer from a definite cleavage between closed and quasi-primitive economies on the one hand and progressively international and highly developed economies on the other.

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# SPAIN AND THE AXIS

*By W. Horsfall Carter*

LIKE Napoleon, Hitler found that domination of the Continent was not enough, that he must seize the gateways to other more remote zones of power. Like Napoleon, he set upon Egypt and Russia. Will he, like Napoleon, turn his armies also towards Spain, the gateway of the West? Or is he already in a situation there which makes military action superfluous?

There are elements in Spanish policy which seem inevitably to range the country on the side of Britain's enemies. I suggest that the strength of these elements has generally been underrated. We have realized that the ruling elements in Spain are thoroughly anti-democratic. We know that all through the war the Spanish press has been a megaphone for Berlin, proclaiming Axis victories and hailing the extrusion of Britain from the Continent. What we are apt to forget is that, at any rate in the short view, the national interests of Spain do seem to stand to profit from a German victory. "Treaty revision," the bait that hooked Hungary and Bulgaria, is attractive to Spain also. As Señor Suñer said to the San Sebastian correspondent of the *Völkischer Beobachter* when he was on his way to Berlin in September 1940: "In the hour when Spain seeks associates she turns to countries which are victims of the same injustices that she herself has suffered. . . . The natural aspirations of Spain are derived from tradition and from her geographical position between two continents."

The existence of such sentiments gives German propagandists a lien on Spain which, incidentally, they do not possess in the case of Portugal, whose geographical position is so similar. That Señor Salazar is fully conscious of Portugal's rôle as "not merely a European but a World Power" [1] is patent. The Portuguese press gave the greatest prominence to President Roosevelt's premonitory statement at the end of July 1940 on the importance of Portuguese and Spanish ports being kept open to maintain communication between Europe and America. Portugal's function, it was explained in Lisbon, is to preserve in Europe, by the formation of "peace zones," those standards of civilization which represent the Latin and Western spirit. And, so far, with the Atlantic seaboard under the protection of the British Navy,

[1] President Carmona's phrase on the occasion of his visit to Mozambique, August 1939.

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the Portuguese Government and people have stood their ground resolutely against German threats and blandishments. But the fact remains that the fate of Portugal is bound up, temporarily at any rate, with that of General Franco's Spain.

As I write, the probabilities are that Hitler's challenge in Spain will be on the plane of political warfare, and that on his timetable it is scheduled, if his progress in Russia permits, to take place this fall. Already the major part of the flood of propaganda and instructions for Hitler's agents in the United States and the Latin American Republics passes through the Peninsula. And it is there that the Nazis hope to draw the best dividends from their latest investment in the "Christian" and "European" crusade against godless Bolshevism.[2] There is, after all, no more ardent Christian paladin and Soviet hater than General Franco.

II

The purpose of Hitler and Mussolini in helping General Franco to smash Republican Spain is now surely plain to the most numbskull of British Sahibs; and those who were dubbed "Reds" for having deplored the jettisoning of the traditional British strategy which sought to prevent a hostile Power from ever controlling Spain have had their worst anticipations realized. The Dictators were simply and solely intent on securing power positions for use in the scheme of grand strategy elaborated in Germany by the "geopolitical" school under Professor Haushofer and discussed in frank detail by the egregious Professor Banse as early as 1933. But quite apart from geopolitical plans for a Nazi enveloping movement based on Spain and Ireland, it was unlikely that a German General Staff which had succeeded in "rolling up" the map of Europe on which Britain's foreign policy had for centuries been based would neglect the possibilities offered them in Spain. Over ten years ago, indeed, Admiral Raeder, now Commander-in-Chief of the German Navy, declared: "If ever the Vigo-Canaries-Azores triangle should be constituted and placed under a single military authority, the automatic consequence would be a complete reversal in the European situation and the relations between European countries and all the other continents . . . a reversal in favor of the Power which occupied the points of the triangle."

[2] *Cf.* the interview given by Señor Suñer to the *Deutsche Allgemeine Zeitung* on July 2, declaring that Spain was a "moral belligerent" in the Russo-German war.

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How far Axis agents have actually gone towards preparing a Spanish satellite state for use in military operations is, of course, a secret which the layman cannot probe with success. But we know that there are some 50,000 Germans in Spain; that airports and strategic railroads have been built; and that submarine refuelling bases have been established in the northwestern province of Galicia and in the coastal districts of Andalusia and Morocco. We also know that the batteries of Algeciras and in the hills behind, and the long-range guns which command the Straits from Ceuta, put the Axis Powers in a position to make Gibraltar untenable. Further, they now possess a complete network of air communications connecting Spain, Spanish Morocco and the Canaries with Italy. What Marshal Balbo once declared to be the best seaplane base in the world, if properly equipped, has been quietly secured in the stretch of water north of Cartagena known as Mar Menor. So long as Spain is "neutral" there is little or nothing that can be done about facts like the foregoing. After all, even during the First World War, when a Liberal pro-Ally government under Count Romanones was in power in Madrid, the Germans freely used submarine bases on the coasts of Spain. It is hardly surprising, then, if reliable reports tell us that their aircraft and submarines are operating from bases at Badajoz, Vigo and Seville against Atlantic shipping.

It does not seem likely to the writer that Hitler and the German Command desire to *realize* on these strategic assets, but rather that, as in several other fields, they would prefer to accomplish their aims by political warfare. A great error was made by many commentators on Spanish affairs in assuming that a long line of moves — including the Suñer mission to Berlin and Rome in the fall of 1940, the resulting meeting of Hitler and General Franco, and the establishment of Nazi police agencies in Spain following the Himmler visit in October 1940, together with the unceasing flow of propaganda — are steps in preparation for Spain's formal entry into the war on the side of the Axis. Whatever Falangist hotheads may say, however much Señor Suñer may threaten, General Franco's Government, ready and willing to be exploited for its diplomatic nuisance-value, and anxious to have its suitable reward, is resolutely opposed to becoming directly involved. In the first place, the exhausted state of the country precludes it; and essential imports, particularly food and oil, are obtainable only by the grace of the British Navy.

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Secondly, there is enough latent hostility to the present régime — not all Republicans are dead, in exile or in prison — to make it decidedly unsafe to undertake any action that might permit a renewal of the civil war. Moreover, if Spain were a declared enemy, Britain might once again, as in the time of Napoleon, be presented with a field of operations from which eventually Hitler's whole European structure could be shattered. Hitler knows perfectly well that, as things stand, Nationalist Spain would be more of a liability than a help as an open ally, whereas she fits into a useful place in the "new order" as a non-belligerent associate. All this is not to say, however, that a fuller rôle might not be assigned to her if the strategic situation were altered through a decision by Vichy France to place her fleet and colonies at the disposal of the Axis.

Meanwhile it is a mistake to count, as some do, on the development of a strong difference of opinion between the dominant Falange or National-Syndicalist elements and the conservative classes. The latter are, in fact, the bulwark of the Franco régime. The British Government has been misled by Catholic influences into magnifying the importance of the Carlists and Traditionalists, reputed to be anti-German. Its mistakes here are much the same as it made about Italy. To begin with, the Falange is not just *a* party which happens now to be in the ascendant; it is *the* party — the only party — and it operates the machine of state in Spain just as effectually as its opposite numbers control Germany and Italy. The idea of a possible monarchist opposition, sponsored by army officers, is a snare and a delusion. As anyone with knowledge of the mood of Spanish army leaders should know, they were Germanophile long before Hitler was heard of, and have so remained. It must not be forgotten that the Spanish Army long nursed a resentment against Britain and France for the curb those nations put on Spain's expansionist ambitions in Africa. The attitude of contemporary Spain will never be properly understood unless we bear in mind that the Spanish bourgeoisie and upper classes (with certain obvious exceptions, like the Duke of Alba) are traditionally and fundamentally Germanophile — as we saw, indeed, in the 1914–18 war — and hence respond readily to the anti-British propaganda of the Falange zealots. It is sheer wishful-thinking, moreover, to conceive of General Franco as a simple "Christian gentleman" who is unhappy about the necessity of associating with the Axis and who

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battles all the time against the extremist views of Señor Serrano Suñer. They are peas from the same pod, but each with a distinctive and different rôle in the conduct of Spanish foreign policy.

III

What is that policy? It is to use the opportunity provided by the present World War to wipe out the stigma of decadence which has lain on Spain since the dissolution of her great empire, and to equip the Spanish nation, spiritually and materially, for pursuing once again its "manifest destiny." But let us not make the mistake of thinking that in this there is any sloppy sentimentality. The Spaniards care about Spain's national interest. They will play the German game so long, and only so long, as it serves that interest. The contempt shown in Spain for Italy since she "took the count" from the British Navy and made such a poor showing in Greece is significant. But if there is no misplaced sentiment there is a luxuriant "ideology" of resurgent imperialism, and this, of course, German propaganda has assiduously fostered. In the years when Italy bid fair to become a "great Mediterranean Power," the Spanish spokesmen for this ideology used always to give a nostalgic glance backwards to the great days of the Emperor Charles V and his Imperial Army of Spaniards and Italians. Today writers often indulge in historical fantasies designed to show that association with Germanic rulers in the sixteenth century, before "decadence" set in, always brought good fortune. Or you may come across the Mediterranean mysticism of a theorist of Spanish Fascism like José Permartin,[3] with its dogma that Spain is destined to assume leadership in a future Catholic-Latin bloc of nations whose function it will be to "Christianize" the Germanized Europe which is to emerge from the present war. In every case, England — either as the cradle of the Reformation and therefore the symbol of Europe's apostasy, or as the instrument of Spain's decline and fall — is the arch-enemy.

By the "laws" of geography which the Falangists so often invoke, Spain might expect to find her natural sphere of expansion in Morocco. Indeed, we are sometimes told that her mission there was duly marked out for her in the last will and testament of the great Queen Isabella, who, with her consort,

[3] *Cf.* his book "Que es lo nuevo?," Burgos, 1938.

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Ferdinand of Aragon, symbolizes the zenith of Spain's greatness. But this is actually a flight of fancy, because Isabella always confined her interest in Morocco to its defensive aspect, that is to say as a barrier against possible Moslem invasions; she taught, rather, that the glittering prizes were to be obtained in faraway America, and as a result the lifeblood of Castile was drained away overseas. Throughout the whole period of Spain's greatest imperial tradition, indeed, the possibilities of northern Africa, as indeed also of the Mediterranean as a whole, were neglected. In the eyes of the great majority of Spaniards, however, there is one reason, and only one, why Morocco did not become, so to speak, a prolongation of Spain, and why, despite her unrivalled geographical position and her great imperial past, Spain has failed in the modern era to achieve the status of "Great Power." From the time when Britain acquired Gibraltar it was as if the jugular vein of what might have been the Spanish body politic were cut. Gibraltar in the hands of the English was a wedge separating Andalusia and Africa. To add insult to injury, when in the nineteenth century Spain's leaders began timidly to cherish ambitions of expansion in Morocco, they were made to feel, time and again, that their aspirations must always be subordinate to the will of Britain and France. Without question Spain has a case against the Anglo-French combination; she *has* been allowed poor pickings in the latter-day scramble for power and wealth in North Africa.

The relics of Spain's original colonial patrimony in North Africa are the four *presidios* of Ceuta, Peñon de Vélez, Alhucemas and Melilla, along the northern Mediterranean coast. Two of these are island rocks, and Melilla is cut off from the interior by the mountains of the Riff. She retains, also, of course, the Canary Isles and, further to the south, morsels of territory in West Africa. These, though limited in extent, are at any rate real possessions. In the so-called Spanish Zone of Morocco, however, Spain is in the position of only a sub-tenant, holding her title by the grace of France. By the Anglo-French Declaration of 1904 France obtained the chance of expansion in Morocco, subject to certain limiting conditions which were dictated by the requirements of British sea power. A stretch of Moroccan coast from just outside Melilla to a point on the right bank of the river Sebu, facing the Atlantic, was to remain unfortified. And France was required to come to an understanding with Spain in regard

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to her Moroccan interests, indicated plainly at the Algeciras Conference. It transpired that, by a secret clause in the Anglo-French Declaration, the Spanish zone of influence was equated with the hinterland of that part of the littoral which was to remain unfortified, while Spain at the same time was forbidden to agree that she would not alienate any of the territories thus placed under her authority.

The Spanish Government of the time had no choice but to accept this diplomatic bargain. In 1912 a Franco-Moroccan Treaty secured France's position as lease-holder, with effective powers of control over the Sultan, who, nevertheless, remained the legal sovereign. Spain, too, regularized her position, by the Franco-Spanish Convention of November 27, 1912, but it continued to be an inferior one, in that the Spanish Zone was, technically, under the ægis of a Khalifa or representative of the Sultan, who, in turn, had transferred his responsibilities to the French. That juridical position is unchanged to this day, though the stipulations about non-fortification have gone by the board.

Tangier is another example of the way in which the Western Powers have watched over their own interests and have paid scant attention to the voice of Spain. Señor Dato, Prime Minister in 1914, made an attempt to trade Spain's neutrality in the First World War against a promise that when peace came Gibraltar and Tangier should be "restored" to her. He met with no success. French colonial achievements in Northwest Africa, incidentally, have always particularly rankled with Spaniards. Their chagrin was increased by the fact that General Primo de Rivera was obliged to call in French military aid to defeat Abd-el-Krim in the Riff campaign, owing to the chronic incompetence of the Spanish Army.

There can be no surprise, therefore, that German talk about Spain's rights to Gibraltar and Tangier and German incitement to Spanish expansion in Morocco at the expense of the French evoke widespread Spanish enthusiasm. The present misfortunes of France seem to offer a bright opportunity. What General Franco and his friends want, presumably, is cession of the Atlantic part of French Morocco, so as to connect the Spanish protectorate zone with the colony of Rio de Oro. It is commonly believed that in the spring of 1940, when France's collapse was evident, and when Italy, as a result, came into the war, some Spanish leaders urged that Spain, like Italy, play the

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jackal. But Señor Suñer apparently received a promise from Hitler that Spain would get her share of the spoils in any event, when Germany had finished with Britain and there no longer was any danger of resistance from the French colonial forces. To appease his own activists, however, General Franco gave the order to Colonel Yuste and his troops to march into Tangier; and in successive steps, as we know, the international régime there has been disregarded. Britain accepted this, principally because there is reason to believe that Mussolini, too, had his plans for seizure of this potentially important strategic asset, and, obviously, from a British point of view, a Spanish occupation was preferable.[4]

The Suñer visit to Berlin in September 1940 was mainly to obtain more explicit assurances regarding the extent of the Spanish *Lebensraum* in Africa. He went as envoy, not as plenipotentiary; and, finding Herr Hitler somewhat evasive, he could only suggest that General Franco should see Hitler himself. Since that time, of course, the Spanish claim has come to evoke less interest in the Wilhelmstrasse. It was all right as an instrument of blackmail, but so long as the "collaboration" of Vichy France is bringing in its dividends Hitler is bound to soft-pedal his Spanish promises.

IV

To make clear that General Franco and his Government are committed up to the hilt to Hitler is still not to tell the whole story. Spanish policy is motivated first, last and all the time by calculations of national interest. Consequently, Spain has also her alternative policy "under the table." It is a countervailing policy, just in case Germany's victory does not materialize.

I have used elsewhere the analogy of a seasoned gambler at a Basque pelota match. The ordinary English visitor at one of those exciting contests between "Reds" and "Blues" will normally back one side or the other to win, and if he is a betting man he may stake heavily on the side which he expects to win. Carried away, perhaps, by the tumult of the little red-capped tipsters shouting the odds he may lose a lot of money. The Spaniard who is a pelota fan, on the other hand, will take odds first on one side, then on the other, and so on throughout the game. As

[4] The noticeable coolness between Mussolini and General Franco's Government dates from that time.

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the promise of victory fluctuates he will "cover" himself once, twice, or many times. So General Franco, while protesting a hundred percent loyalty to the Axis, has in fact taken care to "cover" himself as required by the swaying fortunes of the contest. The form of insurance which he has taken against a British victory will at least bring in, he hopes, Morocco; confirmation of the Spanish title to Tangier; and, maybe, even, a peaceful transfer of Gibraltar to Spanish sovereignty, subject to some international or Anglo-American board of control to watch and ward over this and other strategic keypoints.

Factors involved are, first, of course, the Trade and Payments Agreement with Great Britain of March 1940, carrying its assurances of the continued interest of British business in the future Spain, as well as the very present help of credits to water the parched soil of Spain's war-shattered economy. Secondly, there is the Treaty of Amity and Non-Aggression with Portugal — "Britain's oldest ally" — of March 20, 1939, buttressed by the supplementary protocol of July 29, 1940, and by sundry commercial agreements. And, finally, there would appear to be a tacit understanding with the British Navy.

It is the link with Portugal, perhaps, which is the most important — and least appreciated — element in this policy. General Franco's brother, Nicolas Franco, is his Ambassador in Lisbon. He is an ex-naval officer who is *persona grata* with the British naval authorities, and as such he has been able to accomplish an excellent job of work. Through this close collaboration with Señor Salazar, who is equally anxious to keep out of the war, General Franco has managed to preserve a measure of independence. Of course, if Hitler decided that political collaboration was not enough, and demanded a corridor to Africa, neither Franco nor Salazar could put up any effective resistance. Spain today is an object of policy, rather than a subject, as much as ever she was in the days of the Anglo-French "stranglehold." But, as I have suggested, Hitler must think twice before he can take the risk of losing his communications with the outside world; and meantime the Spanish and Portuguese dictators will go on making the most of their advantage. All that is certain is that the Nazi pressure will increase, as Hitler realizes that he has to play for the highest stakes in the Battle of the Atlantic.

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# A VISIT TO WILLIAM II

*By Bernadotte E. Schmitt*

IN 1928 while I was preparing a volume on the origins of the First World War I was a guest in Berlin at a luncheon given by one of the numerous societies interested in relieving Germany of responsibility for the war. In a brief speech, I remarked that I was making the rounds of the different countries involved in the war, and stated that I had seen Grey, Poincaré, etc. After the luncheon, a former general asked if I was going to visit the Kaiser. I replied that I did not have the entrée to His Majesty. The general, who, I learned later, was a personal friend of the fallen monarch, said that he could arrange it, and took my address. About three weeks later I received, in London, a letter from the Hofmarschall at Haus Doorn, saying that His Majesty would be pleased to receive me and that if I would telegraph the hour of my arrival at Utrecht, the nearest station, "ein kaiserliches Auto" would be sent to fetch me to Haus Doorn.

So on Tuesday, August 28, 1928, I arrived at Utrecht, and there, sure enough, I found a handsome gray limousine awaiting me. It bore no coat of arms and the chauffeur did not wear livery — a quiet turnout such as any successful American might maintain. A half-hour's drive brought us to the porter's lodge of Haus Doorn. This was a new structure built by the exile to house the officials of his tiny court and his guests, who were seemingly rather numerous. Only the presence of a Dutch policeman suggested that it was not the property of a private person. I was ushered into a suite of rooms decorated with paintings, photographs, and other memorials of the old régime, and was served the usual Dutch breakfast. After an hour the adjutant on duty appeared, in plus fours, to notify me of the arrangements for the day. I would be received by the Empress at eleven and by the Emperor at noon, after which luncheon would be served, and for the rest, whatever circumstances might suggest; I was asked to wear a dark suit.

Shortly before eleven the house doctor came to escort me to the imperial residence, which was a house of fourteen rooms built something more than a century ago by a prosperous merchant. Since the Empress's five children by her former marriage had to be accommodated, the house was none too large; it impressed me as being more comfortable than the palaces inhabited in the days of power. The fittings were elegant, most of them brought from Germany, but in keeping with an unpretentious establishment. The servants wore dark blue uniforms, and there were no guards about.

The Empress — as she was called, though she had no right to the title — received me in her sitting-room. She was rather a plump woman, motherly and devoted to her husband. She talked first of Woodrow Wilson, toward whom she seemed to feel rather bitter and about whom she believed the scandals which were once current. She then denounced the Dawes Plan which, she insisted, was driving Germany toward Bolshevism and ruin. Finally she came to speak of the Emperor. She explained that he kept himself from growing morose and despondent by omnivorous reading and that, in talking with him, I should

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find him prone to discourse on many topics. But since I had come to speak of particular things, I should not hesitate to interrupt and bring him back to what I wished to know. By this time an hour had passed, and the servant entered to say that His Majesty was now ready to see me. So I withdrew, descended to the ground floor, and was taken into the Emperor's study by the adjutant.

It was hard to believe that I was about to face the person who had probably been the most excoriated man of our time. But before I could give myself over to meditation, the door opened and in walked William II of Hohenzollern, once German Emperor and King of Prussia. Dressed in a gray suit with a pink tie adorned with a pin of the Prussian order *pour le Mérite*, brown shoes, white spats, and a straw hat, his eyes flashed as he came forward with outstretched hand to say, "How do you do, professor? I am very glad to see you." I bowed slightly, and he invited me to be seated. Then, "What can I do for you?" I explained that I was investigating the origins of the war and had talked with many of the survivors of 1914.

"Well," he said, "the answer is very simple. Cecil Rhodes made the war." Whereupon he descanted for a quarter of an hour on the iniquity of Rhodes, who as far back as 1895 — the time of the Jameson raid — had planned to destroy Germany, because Germany stood in the way of his African ambitions. Whether His Majesty knew that I had been a Rhodes Scholar did not come out. He declared that Edward VII (his own uncle) and Edward Grey were merely the instruments of Rhodes, and when I remarked that most German writers were now disposed to absolve England of deliberately plotting the war and laid the blame on Poincaré and Izvolsky, he waived these suggestions airily aside and repeated his original proposition. He seemed also to attach credence to the tale circulated years ago by R. G. Usher of an Anglo-Franco-American alliance directed against Germany; and to prove this he produced a sensational pamphlet by an American woman whose name I have forgotten. To these astonishing theories I really had no answer. But when I remembered that several years ago, in speaking with another American, he was said to have laid the blame for the war on the Jews, I realized that William II possessed the capacity to believe at any moment what pleased or suited him, that he was a highly emotional personality whose reflexes could not be gauged by ordinary standards, and that I was not likely to secure from him any positive or satisfactory information. I also appreciated that he must have been an exceedingly difficult problem for his ministers and advisers, who, it is well known, were sometimes greatly inconvenienced by his sudden actions and consequently did not scruple to conceal from him information which might have a disconcerting effect on him. Later His Majesty essayed to prove that the Russians had been secretly mobilizing for months before the July crisis and that the British army had secret stores of supplies in Belgium. But I should add that there was no bitterness in what he said. Finally, he presented me with an autographed picture, on which is written: "Nothing is too improbable to be true. Every once in a while all the circumstantial evidence in the world seems to get mobilized to down an innocent man." I supposed then that the inscription was his own composition, but I have since learned that it is taken from a book by the late C. E. Montague.

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It was now one o'clock, and luncheon was announced. The company was assembled when the Emperor and myself came out of his study — about twenty persons in all. There were the Empress and her five children, a couple of tutors, the court officials — that is, the marshal, the adjutant, and the doctor — three generals of the old army who had come to present His Majesty with a silver cup from members of the regiment in which he had performed his first military service, and two or three others whom I can no longer identify. All were somewhat dressed up, the generals in morning coats to which they did not seem accustomed. The Emperor made the round of the company and presented me to each, after which we went to table. The two royalties sat at the center of a long table facing each other; one general was on the Emperor's right, myself on his left, and he conversed alternately with us. The glassware bore the monogram of Frederick II and dated from his time, so the Emperor said. The meal was simple: soup, main course, dessert, followed by coffee in the Emperor's study. There seemed to be no constraint, and I had ample time to observe two large portraits of William and Hermine at either end of the dining-room. The Emperor's portrait was evidently made at Doorn, for he was represented with the Van Dyck beard he affected after the war; none the less, he was painted in the full uniform of a field-marshal of the German army. I may say that this was the only visible sign of unrepentance anywhere about the place. As we were taking our coffee, the Emperor came up to me and asked if I would care to walk with him in the late afternoon, to which, as they say in the House of Commons, the answer was in the affirmative.

Before this little expedition, the Emperor's doctor took me over the estate, which consists of only twenty-two acres, and talked about his patient, if one may so describe a man of nearly seventy whose health was obviously excellent. By dint of wood-sawing and work in his garden, His Majesty really kept himself quite fit, and by entertaining a constant stream of guests avoided being utterly bored. There were no legal restrictions on his movements, and he did a certain amount of motoring; but, said the doctor in order not to arouse excitement, he did not often visit the larger towns and avoided going toward the German frontier. The marshal, the doctor and the adjutant were all friends of the old days; they changed every few months, so that the exile did not have to see the same faces for too long a period. The settlement with the Prussian government left the Emperor in comfortable financial circumstances, though for a while just after the war there was a real shortage of cash. But when all was said, one could not doubt that life at Haus Doorn was rather dull, and that the punishment thus meted out to William II was far more effective than anything which the Allied and Associated Powers might have decreed if they had succeeded in bringing him to trial "for a supreme offense against international morality and the sanctity of treaties," as they were pleased to express it in Article 227 of the Treaty of Versailles.

At 5:30 p.m. I joined the Emperor again for our walk. He showed me the beautiful rose garden which he had presented to the town of Doorn, and then we strolled along some country lanes. Passers-by saluted him respectfully, and their greetings were scrupulously returned. I endeavored to interrogate His Majesty, whom I addressed as "You," about the war. He said that he had been most unwilling to go to Norway early in July 1914, but that the Chancellor

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had insisted on it, in order not to disturb the European bourses. As to the famous conferences at Potsdam, he declared that he had understood that "the Austrians intended to give the Serbs a good hiding," and that they would do so promptly; but I could not pin him down to a more exact statement. And when I tried to speak of mobilization and the details of the July crisis, he referred me to his books, copies of which he had sent around to my room. So I came to the conclusion that I was not likely to get much information from him, partly because he could not remember specific points, partly because he had formed his own picture of events. I therefore let him take his own line.

He proceeded to talk with great animation about the politics of the moment — Russia, China, the League of Nations, and his own beloved Germany. In his opinion, there was no prospect of overthrowing the Bolshevist régime by force, and the situation would have to work itself out. As for China, he was greatly pleased by the American treaty just negotiated, which had put a spoke in the wheel of the British — whom he disliked as much as ever. For the League of Nations he showed a rather amused contempt. But most of his talk had to do with Germany. The Germans, he argued, are not a western but an eastern people; that is to say, they require an autocracy or a dictatorship. The current rulers were all reds, or at least pinks, and were ruining the country, driving it steadily toward Bolshevism. I ventured to ask if he did not think that Dr. Stresemann had been conspicuously successful in the conduct of German foreign policy. "Stresemann," he exclaimed, "Stresemann! He's the greatest scoundrel unhung!" In his opinion, the time would come when the United States would appreciate the help of Germany against Great Britain, and if he were back in Berlin he would see to it that this support was given. We would yet regret the day when we insisted on his abdication. For, he said, shaking his fist in my face, "You — meaning the United States — are responsible for my being here, and it is your duty to see that justice is done." To which there was nothing I could say.

The Emperor spoke excellent English, with a keen appreciation of idiom, and his language was always vigorous, not to say picturesque. In spite of everything, I could understand how it was that for thirty years he captivated all who knew him. Convinced as he was of the rightness of his course and conduct, he no doubt went to his grave thoroughly unable to understand why, after long years of hate, he was repudiated by his own people and forgotten by the rest of the world.

The hour drew near for my departure. His Majesty graciously accompanied me to the lodge, where the gray limousine was waiting. My bags had already been loaded. The Emperor asked for my address, so that he might send me any subsequent writings of his about the war, and I gave the adjutant my card. The Emperor himself opened the door. I took my seat. The great car got slowly under way, and as it rolled under the gateway, I beheld William II, hat in hand, bowing low to a citizen of the country which he had declared was chiefly responsible for his presence there that day.

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# NEW FACTORS IN THE OLD UKRAINIAN PROBLEM

*By Harold R. Weinstein*

TWENTY-THREE crowded years have elapsed since Germany's "Ukrainian Adventure" ended in disaster. Time has not altered the aims of conquest. Germany still covets the Ukraine's grain, beet-sugar, cattle, coal and iron; its actual and potential industrial capacity; the oil of the Caucasus; and the command of an important land route to the East. But history has made some conspicuous alterations in the drama staged by the Kaiser in 1918.

Frantically suing for peace in February of 1918, Russia had to abandon her protégée, the Ukrainian Soviet Republic; and the latter could offer much less resistance than the Germans are now encountering from the Soviet Union as a whole. Moreover, although the Germans invaded the Ukraine in 1918 at the invitation of a Ukrainian nationalist government, the influence of the nationalists has not yet become an apparent factor in the current conflict. In 1918 the mass of the Ukrainians were war-weary, indifferent to political questions, concerned only with preserving the gains won in the revolutionary upheavals of 1917. Today a large part of the Ukrainian people is evidently behind the Soviet régime. But the drama is not yet concluded. Will Ukrainian nationalism reappear? Will it sway the people as it did for a time in 1917? Will Ukrainian nationalism, if it arises again, act as a friend or as a foe of the invader?

The development of a distinctive Ukrainian nationalism has always been hampered by the historical, linguistic and religious affinity of the Ukrainians and the Russians. The two peoples were united politically from the ninth century to the thirteenth, when the Tartar invasions sundered them. Most of the Ukraine was again joined to Russia in the seventeenth and eighteenth centuries (only about a tenth of the Ukrainians fell under Austrian rule). During the centuries of their separation, Russians and Ukrainians were aligned, not against each other, but against common enemies — first the Tartars, then the Poles, under whose domination the Ukraine had come. Linguistically, the Ukrainians and Russians are closely related. Their languages differed little until the Ukrainians fell under Polish influence. Even now, although Ukrainian is officially recognized as a "language" rather than a "dialect," it varies so little from Russian that a literate Ukrainian can learn to speak and read Russian fluently within a few months. Hence, some Ukrainian groups have been easily assimilated into the Great-Russian nationality.

In Tsarist times the process of assimilation — a barrier to nationalism — had reached most of the upper classes, almost all of the industrial proletariat and a large part of the city population. Although nine-tenths of the inhabitants of the Ukraine spoke the Ukrainian language, these inhabitants belonged overwhelmingly to the peasant class. Until 1917, however, the peasants manifested far less interest in nationalism than did a small number of men, recruited from the "rural intelligentsia," who had settled in Austrian Gali-

*Author's Note:* This study is based on material gathered for a book on Soviet policy toward national minorities, under a grant from the Columbia University Council for Research in the Social Sciences.

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cia. The latter joined with some Ukrainians native to Galicia in working out a body of nationalist doctrines centering around the demand for an autonomous Ukraine within a democratic Russian federation. The reply of the Tsarist Government to Ukrainian nationalism was forced Russification: the suppression of the use of the Ukrainian language in government offices and courts, in the schools, and in the publication of newspapers and of all books except original Ukrainian *belles-lettres*.

But the nationalist movement was reënforced by the existence of an agrarian problem in the Ukraine which stimulated much unrest among the peasantry. Like the land-holding of peasants everywhere in Tsarist Russia, that of the average Ukrainian peasant was pitifully small. The redemption price for the land allotted to him at the time of the Emancipation was very burdensome. Taxes were high. And methods of cultivation were too primitive to provide him with more than a mere subsistence. The peasant's discontent was aggravated by a linguistic cleavage between him and his immediate economic foes. Of the nobles and city bourgeoisie, the classes which owned most of the large estates coveted by the peasants, three-quarters were Russians or Poles. The same proportion of the petty traders — symbol to the peasants of the process whereby they sold their grain cheaply and bought their manufactured goods at high prices — were Jews. The tax-collectors, the judges and the Cossacks used to quell agrarian disturbances were mostly Russians. Economic discontent thus gave rise to national friction, which could be used to further the political and cultural aims of Ukrainian nationalism. After the Revolution of 1905 brought to light the wide extent of agrarian unrest, the largest nationalist group — the Ukrainian Social Revolutionary Party — preached the idea that, if the Ukrainians threw off the Russian yoke, the peasants would be able to rid themselves of Russian and Polish landlords, of Jewish traders and Russian bureaucrats; and they assured the peasants that a Ukrainian government would give them all the land. Such practical nationalism caught the peasant fancy; and when Ukrainian nationalism — organized in a Ukrainian National Council, the *Rada* — stepped upon the stage after the overthrow of Tsarism in March 1917, it won the peasants' enthusiastic support.

The *Rada*, however, failed to turn the land over to the peasants; and when the peasants took matters into their own hands and seized the land, the *Rada* advised patience and even took steps to suppress the increasing "anarchy." As a result, the peasants refused to fight for the *Rada* against the Communists, and the *Rada* had to solicit the aid of the Germans. The latter, after having conquered the Ukraine, ousted the talkative *Rada* and set up General Paul Skoropadsky — the largest landlord in the Ukraine — as *Hetman* of a puppet state. Skoropadsky's régime, intent on restoring the property expropriated by the peasants, aroused a whirlwind of opposition. Even before the collapse of the German Empire in November 1918, his régime was endangered by numerous peasant revolts. Meanwhile, the Ukrainian nationalists had formed a new government, the Directory, and after the armistice of November 11 they managed to seize Kiev. But the nationalists were too weak and divided to hold the center of the stage. The leading parts were now being played by the Communists, who captured Kiev early in 1919, by the White armies of Generals Denikin and Wrangel, by the peasant anarchists under Nestor Makhno, and by the Entente and its Polish protégée. Under the leadership of Simon Petliura, the

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nationalist government vainly sought foreign support, while its army disintegrated into a multitude of small bands mainly concerned with driving Jews and Communists out of their own local spheres of action.

After the end of the Civil War, the Communists had to decide whether to ignore Ukrainian nationalism or to make political and cultural concessions to it. The latter course was chosen. One political concession was a constitutional structure which gave the Ukraine a considerable degree of self-government. Although the central organs of the U.S.S.R. exercise wide powers and the Communist Party formulates general policies and supervises political life throughout the Union, the government of the Ukrainian Republic administers such matters as education, social security, agriculture and local light industry. Moreover, an attempt has been made to "Ukrainize" political life, first of all by drawing Ukrainians into the Party and the administration. Whereas in 1921 Ukrainians were a minority in the Party's branch in the Ukraine, ten years later they numbered over three-fifths of its membership. The Party has also attempted to teach large sections of non-Ukrainians the language of the majority and to enforce the use of Ukrainian in public life by government employes and trade-union officials, by army officers and factory administrators, even by store clerks and street-car conductors. Stern measures, including criminal prosecution, were taken to suppress opposition to this policy among some officials.

In the sphere of education and culture, the Bolsheviks have reversed the Tsarist policy of Russification. The Ukrainian language is the medium of instruction in the growing number of educational institutions attended by Ukrainian students; it is taught as a special subject in schools for Russians, Poles, Jews and other minorities within the Ukrainian Republic. While the number of students in colleges and technical schools has increased four-fold since Tsarist times, Ukrainian students in these institutions now outnumber students of other nationalities by six to one. The output of Ukrainian books has risen from six hundred thousand copies in 1914 (when only original Ukrainian *belles-lettres* were permitted) to well over fifty million copies of original and translated books each year. Ukrainization has also been applied to most of the radio programs, to four-fifths of the newspapers, to all except a few theaters and operas; and the foundations of a Ukrainian film industry have been laid. Meanwhile, the authorities have been seeking to make the population conscious of a Ukrainian culture that is "national in form and socialist in content." They encourage popular songs, folklore, dances, embroidery and pottery. They try to stimulate interest in Ukrainian classical writers who, like the poet Taras Shevchenko, are considered to represent the progressive forces of their day. But while encouraging contemporary novelists, poets, playwrights, painters and composers, the government is vigilant in punishing any nationalist "deviation" in scholarship or literature.

The fostering of Ukrainian culture, some observers believe, tends to intensify national feeling and may some day play into the hands of Ukrainian nationalists. To forestall such a possibility, the Soviet régime has in recent years been giving increased attention to the socialist content of Ukrainian culture. It has been making an effort to imbue the Ukrainians with a "Soviet patriotism" based on devotion to the Soviet Union as a whole. Cultural activities and educational institutions stress the advantages of socialism over capitalism, the

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historical unity of the Ukrainians and the Russians, the solidarity of the working classes of all nations, the urgency of common action to defend the socialist fatherland against its external foes. This emphasis has been accompanied by efforts to popularize the culture of the Russians and of other nationalities, both Soviet and foreign. The time devoted to the study of the Russian language in Ukrainian schools has been increased in recent years. The Soviet leaders had always desired that the Russian language be mastered sufficiently by the minorities to provide the linguistic integration required in a highly industrialized society, but the stress on Ukrainization led at first to a neglect of the "second language." Now even the graduate of an elementary school is expected to write and speak Russian with ease. It is maintained by émigré nationalists that these attempts to make the Ukrainians bi-lingual and multi-cultured will result in assimilation. Some evidence to support this contention does exist. Many of the thousands of young Ukrainians who have been drawn into the cities by the expansion of industry have shown an inclination to adopt the Russian language, which is still extensively used among the workers and which is the most popular instrument for social intercourse among the different nationalities. Indeed, the strenuous efforts to insure priority to the Ukrainian language have removed one of the major sources of the older Ukrainian antagonism to the Russians, to their language and culture.

But even with the elimination of linguistic and cultural friction, Ukrainian nationalism would still flourish in a soil fertilized by economic discontent. Economically, the picture of the Ukraine under the Soviet régime has always presented strong contrasts of light and shadow. The region has been undergoing rapid industrialization. The annual output of coal, iron ore and steel has increased three-fold since 1914. New industries — tractor-building and chemicals, for example — have been established. Electrical power production and transportation have been greatly extended. In the allotment of funds for capital investment throughout the Soviet Union, the Ukraine and other non-Russian sections have been favored. But the standard of living of the rapidly increasing body of industrial workers has frequently suffered from the fact that productive energies were being devoted to the further expansion of capital goods industries and to the provision of war materials. During the First Five-Year Plan living standards declined. From 1933 to 1939, wages rose while consumer's goods increased in quantity and decreased in price. This upward trend was arrested by the intensification of the international crisis at the end of 1939, and a decline in the supply of consumer's goods was accompanied by a lengthening of the working week. These losses for the workers, however, have to be evaluated in the light of the previous gains: steady employment, educational and cultural opportunities, and a real-wage trend that rose hopefully from 1933 to 1939. Moreover, because the proletariat of the Ukraine is either Russian by origin or is undergoing a degree of assimilation, it offers far less fertile ground for the growth of Ukrainian nationalism than does the peasantry.

To satisfy the peasantry has been the most difficult domestic problem facing the Soviet régime. In its early years, the régime antagonized the Ukrainian peasants by attempting to collectivize agriculture and by forced requisitions of their crops. Both of these policies were abandoned in 1921, and the peasants remained in possession of the land acquired during the revolutionary upheaval. But the policy of collectivization was again introduced in 1929. To bring the

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peasants to consolidate their small strips of land into large farms suitable for mechanization, they were sometimes persuaded, sometimes harried, into surrendering their holdings to the collective farm, from the output of which they would then draw shares in proportion to the quantity — later changed to the quality — of the work they performed. Many peasants resisted collectivization. Nationalist propaganda flourished in the villages; and sabotage by the peasants, seconded by severe drought, led to the disastrous famine of 1932–1933. The Soviet authorities dealt harshly with the recalcitrants; they set the poorer peasants against their more prosperous neighbors, and introduced strict control into the villages. These steps, together with such concessions to peasant individualism as the grant of a small plot of land and a few head of livestock for private use, resulted in almost complete collectivization and in raising the agricultural output of the Ukraine considerably above the 1914 level. From 1933 to 1939, moreover, the standard of living of the peasants — measured in terms of manufactured commodities available in the village stores, and in the expansion of medical, educational and cultural facilities — rose steadily. The international crisis in 1939 brought with it a decline in the volume of commodities available to the collective-farmers. Possibly this has strengthened the discontented elements which still remain in the villages.

Meanwhile, the Ukrainian nationalists who might be expected to organize anti-Soviet sentiment have been severely repressed. Many of the nationalists — important men like Hrushevsky, Shumsky, Efremov and Nikovsky — were pardoned after the Civil War and given high positions in the political and cultural life of the country. But on frequent occasions, and especially during the period of intense collectivization, they were charged with active or passive resistance to the Soviet régime. Those accused of overt acts, like Efremov and Nikovsky, were imprisoned or executed; others, like Shumsky and Liubchenko, were disgraced and removed from positions of influence. By 1939 almost none of the formerly well-known nationalists remained in the public eye. This suppression has probably sapped the vigor of the older generation of nationalists, but it may conceivably have left behind a legacy of resentment against the Soviet régime. It is entirely possible that there is still a considerable number of nationalists in the Ukraine, and that they might become the nucleus of a separatist movement. Leadership for a Ukrainian state dominated by Hitler may also be drawn from the ranks of Ukrainians abroad. Skoropadsky himself, for example, has lived in Berlin since the collapse of his puppet régime.

Émigré nationalists returning to the Ukraine in Hitler's baggage-train would find many changes in their homeland. Large sections of the Ukrainian population have been bound more firmly to the Russians by cultural assimilation, by industrialization and urbanization, by the inculcation of Communist doctrines and Soviet patriotism, and by the abandonment of forced Ukrainization. Even in the rural areas a large part of the population probably prefers Communism to the alternative of German Fascism. On the other hand, Soviet policy has heightened the cultural consciousness of many Ukrainians, which, together with opposition to Soviet political and economic policies, may provide many potential supporters for an anti-Soviet régime. But if a German-dominated government humiliates the national feeling and violates the economic interests of the Ukrainians, the new cultural consciousness may become a powerful weapon turned against the conqueror.

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# RECENT BOOKS ON INTERNATIONAL RELATIONS

*By Robert Gale Woolbert*

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## *General: Political, Military and Legal*

MEN AND POLITICS. By LOUIS FISCHER. New York: Duell, 1941, 672 p. $3.50.

This is one of the most illuminating of the journalistic autobiographies that have appeared in recent years. The author has passed the period since 1918 very largely in Europe. Not being a regular newspaper correspondent he was free to go where he pleased, and in time he came to know an unusually large number of key men and women in various countries. In Russia, where he spent many years, his experience was particularly rich. Because of his sympathy for the Soviet experiment, he enjoyed privileges and acquaintances almost unique for a foreigner. Only in the late thirties did he turn against the Stalin régime, and even now he seems to harbor certain blind spots — for example regarding the great government-induced famine of 1932–33. He also joined in the defense of Loyalist Spain, and some of his best pages are on this tragic story.

DICTATORS AND DEMOCRATS. EDITED BY LAWRENCE FERNSWORTH. New York: McBride, 1941, 375 p. $3.00.

Profiles of some two dozen leading figures in contemporary world politics. Written by well-known journalists and observers, some of these sketches are new, others are reprinted.

WHERE STANDS DEMOCRACY? By HAROLD J. LASKI AND OTHERS. London: Macmillan, 1940, 160 p. 3/6.

Essays by members of the Fabian society.

MODERN DEMOCRACY. By CARL L. BECKER. New Haven: Yale University Press, 1941, 100 p. $2.00.

Three lectures, each a gem of conciseness and philosophical insight, delivered at the University of Virginia in November 1940.

EL OCASO DE LA DEMOCRACIA. By ALBERTO ZUM FELDE. Santiago: Empresa Editora Zig-Zag, 1939, 123 p. $1.25.

The defects of democracy exposed by a Uruguayan critic.

FEDERAL UNION. EDITED BY M. CHANING-PEARCE. London: Cape, 1940, 336 p. 10/6.

Essays of varying degrees of worth, by some 22 teachers, writers and divines.

A FEDERATED EUROPE. By LORD DAVIES. London: Gollancz, 1940, 141 p. 3/6.

A proposal for a "confederation," not as close or as centralized as "Union Now" and including all states which accept the Western tradition of rule by law.

FEDERAL ILLUSION? By D. N. PRITT. London: Muller, 1940, 152 p. 2/6.

A thorough-going Marxist finds in federalism no solution for the imperialistic rivalry of capitalist states.

A NEW INTERNATIONALISM. By KOJIRO SUGIMORI. Tokyo: *Waseda Guardian*, 1940, 133 p. $1.00.

Thirty-two editorials, originally published in the *Waseda Guardian*, presenting "a practical philosophy of history" from the Japanese point of view.

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THE WAR FOR PEACE. By Leonard Woolf. London: Routledge, 1940, 244 p. 7/6.

Mr. Woolf, prominent British editor and political theorist, refuses to believe that humanity's failure to make the League of Nations work during its brief span of life means that the League idea should be abandoned.

A LASTING PEACE. By Maxwell Garnett. New York: Norton, 1940, 288 p. $2.25.

This book was written before the 1940 Blitzkrieg in the west and reflects some of the unrealistic thinking of the "phony war" period. In general the author's approach to the subject is quite pedestrian and shows little awareness of the tremendous issues at stake. The last seven chapters are by H. F. Koeppler and deal with the bases for German co-operation in a free postwar Europe.

PLAN FOR PERMANENT PEACE. By Hans Heymann. New York: Harper, 1941, 315 p. $3.50.

Detailed specifications for a unified world-wide economic system to be created after the war.

THE LEGISLATIVE WAY OF LIFE. By T. V. Smith. Chicago: University of Chicago Press, 1940, 101 p. $1.50.

Lectures delivered while the author was Congressman-at-large from Illinois.

FROM VERSAILLES TO DANZIG. By Claud Golding. New York: Norton, 1940, 239 p. $2.25.

Twenty years of European history reduced to short and simple sentences.

PROBLEMS OF MODERN EUROPE. By J. Hampden Jackson and Kerry Lee. New York: Macmillan, 1941, 127 p. $1.75.

The basic economic, social and political facts concerning the countries of Europe graphically illustrated with pictorial symbols.

EUROPE UNDER THE NAZI SCOURGE. London: *The Times*, 1940, 145 p. 2/.

A collection of factual articles from the London *Times* concerning conditions in Nazi-dominated Europe.

SEA POWER IN THE MACHINE AGE. By Bernard Brodie. Princeton: Princeton University Press, 1941, 466 p. $3.75.

A scholarly history of the effect of technological advances on naval strategy and warfare since the invention of the steamship.

SUBMARINES, ADMIRALS AND NAVIES. By Colin Mayers. Los Angeles: Associated Publications, 1940, 280 p. $3.00.

The rôle of the submarine in modern naval tactics and strategy explained by a retired British naval officer.

HORIZONS UNLIMITED. By S. Paul Johnston. New York: Duell, 1941, 354 p. $3.75.

A profusely illustrated history of aviation for the layman.

CHEMICAL WARFARE. By Curt Wachtel. Brooklyn: Chemical Publishing Company, 1941, 312 p. $4.00.

Strategical and technical considerations.

## *General: Economic and Social*

YOU CAN'T DO BUSINESS WITH HITLER. By Douglas Miller. Boston: Little, Brown, 1941, 229 p. $1.50.

As Commercial Attaché in the American Embassy at Berlin from 1925 to 1939 Mr. Miller acquired an unusual knowledge of the methods and aims of the Nazi régime. In this hard-hitting little volume he explains in simple language what a Hitler victory holds in store not only for Europe but for the rest of the world, especially the United States. He demonstrates the folly of the Lindbergh thesis that America, as we know it, could survive and "do business" in a Nazi-dominated world.

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DIE NEUEN WIRTSCHAFTSFORMEN. By Ernst Samhaber. Berlin: Neff, 1940, 364 p. M. 5.

An economic history of the last twenty-five years.

ORIENTAMENTI CORPORATIVI NEL MONDO. By Italo Mario Sacco. Turin: Società Editrice Internazionale, 1940, 241 p. L. 10.

A broad survey covering a wide range of countries.

TRAVAGLIO ECONOMICO. By Alberto de Stefani. Bologna: Zanichelli, 1940, 304 p. L. 18.

Essays on the world's economic crisis by a former Minister of Finance in Italy.

DEMOCRACY'S SECOND CHANCE. By George Boyle. New York: Sheed, 1941, 177 p. $2.00.

How the coöperative movement can help make economic democracy, and therefore political democracy, a reality.

MEN OF WEALTH. By John T. Flynn. New York: Simon and Schuster, 1941, 531 p. $3.75.

Twelve case studies in the accumulation of wealth from the Fuggers to Rockefeller and Morgan. This enlightening if uneven book is further evidence that the author's real *métier* is financial muckraking and not international politics.

THE WORLD OF NATIONS. By Solomon F. Bloom. New York: Columbia University Press, 1941, 225 p. $2.50.

An historical inquiry into the relation between Marxian socialism and nationalism in the principal countries of Europe and in the United States.

REASON, SOCIAL MYTHS AND DEMOCRACY. By Sidney Hook. New York: Day, 1940, 302 p. $3.00.

The chapters in this book have for the most part already appeared elsewhere as separate articles. Assembled together and supplied with an introduction they form a challenging critique of contemporary social philosophies.

CHRISTIANITY AND WORLD ORDER. By the Bishop of Chichester. New York: Penguin, 1940, 156 p. 25 cents.

An outstanding leader in the Anglican Church examines the status and functions of Christianity in a troubled world.

A HISTORY OF THE EXPANSION OF CHRISTIANITY. VOLUME IV: THE GREAT CENTURY. By Kenneth Scott Latourette. New York: Harper, 1941, 516 p. $3.50.

For a number of years Professor Latourette of Yale has been engaged in the compilation of this encyclopedic history of the spread of Christianity from the days of the apostles down to the present. In all, seven volumes are projected. This one covers the expansion of Christianity in Europe and the United States between 1800 and 1914.

CAN A RELIGIOUS DEMOCRACY SURVIVE? By Gaines S. Dobbins. New York: Revell, 1941, 212 p. $1.50.

A Baptist survey of the problem.

THE PAPACY AND THE MODERN STATE. By F. E. Hoare. London: Burns, Oates, 1940, 427 p. 15/.

An anti-liberal interpretation of the relations between Church and State.

## *The Second World War*

THE CAUSES OF THE WAR. By Arthur Berriedale Keith. New York: Nelson, 1940, 554 p. $4.00.

This rather loosely constructed commentary on the events of recent years is more in the nature of an "I told you so" than a definitive historical judgment.

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THE DEEPER CAUSES OF THE WAR AND ITS ISSUES. By Gilbert Murray and Others. New York: Norton, 1940, 206 p. $1.50.

Addresses by eight British scholars, clergymen and statesmen.

DEUTSCHLAND-ENGLAND 1933–1939. By Fritz Berber. Essen: Essener Verlagsanstalt, 1940, 250 p. M. 3.50.

The texts of some hundred documents which are alleged to prove Germany's "will to peace."

BERLIN DIARY. By William L. Shirer. New York: Knopf, 1941, 605 p. $3.00.

This is the diary of an American journalist who late in 1937 became the Continental European representative of the Columbia Broadcasting System. After August 1939 he made his headquarters in Berlin and most of his entries are dated from there. Some of his most exciting passages, however, were written in Vienna at the time of the Anschluss, in Czechoslovakia just before Munich, in Danzig and Poland on the eve of the war, and in Belgium and France under German occupation. Mr. Shirer never truckled to the Nazis and his journal frequently reveals his indignation against them. Yet he managed to stay in Berlin until the end of 1940, and, in spite of the censor, to broadcast radio reports notable for their honesty. In this book he reveals many of the things which he was not allowed to divulge over the ether. Altogether this is one of the most illuminating and readable books that have come out of the war.

DER KRIEG VOR DEM KRIEGE. By Norbert Tönnies. Essen: Essener Verlagsanstalt, 1940, 310 p. M. 4.50.

A description of the organization and operation of Britain's various propaganda agencies before the outbreak of the war.

BATTLE FOR THE WORLD. By Max Werner. New York: Modern Age, 1941, 403 p. $3.00.

An analysis of the early stages of this war — both military and diplomatic — with suggestions as to future developments, especially those concerning America, by the author of "Military Strength of the Powers."

THE WAR FOR WORLD POWER. By "Strategicus." London: Faber, 1940, 304 p. 10/6.

A competent military and political review of the war through Dunkirk.

DEUTSCHER SIEGESZUG IN POLEN. By Ernst Kabisch. Stuttgart: Union, 1940, 170 p. M. 4.80.

An account of the campaign by a German general.

MISSION TO THE NORTH. By Florence Jaffray Harriman. Philadelphia: Lippincott, 1941, 331 p. $3.50.

This sequal to "From Pinafores to Politics" carries Mrs. Harriman's autobiography from 1936 to 1940, and in large part is an account of her experiences in Norway where she was American Minister from the spring of 1937 to the German invasion of April 1940. The story of her flight before the Nazis is particularly interesting.

NORWAY INVADED. By James Tevnan and Terence Horsley. London: Withy Grove Press, 1940, 143 p. 6d.

A popular account of the campaign.

MY SISTER AND I. By Dirk van der Heide. New York: Harcourt, 1941, 95 p. $1.00.

The diary of a Dutch boy — May 10 to September 28, 1940 — gripping in its casual realism.

MY FIRST WAR. By Captain Sir Basil Bartlett. New York: Macmillan, 1941, 131 p. $1.25.

Day-by-day impressions of the Blitzkrieg and Dunkirk by a British playwright.

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THE EPIC OF DUNKIRK. By E. Keble Chatterton. London: Hurst, 1940, 250 p. 10/6.

A chronicle of one of the most gallant episodes in British history.

FRANCE IN DEFEAT. By Percy J. Philip. London: Muller, 1941, 96 p. 2/6.

Except for chapter seven, which was originally an address delivered in Canada in November 1940, this little book consists of the articles which Mr. Philip, for many years Paris correspondent of the *New York Times*, wrote for his paper upon his arrival in the United States after the collapse of France. Revelations made since these articles were first published have now dulled their edge somewhat.

FAREWELL FRANCE! By Oscar Paul. London: Gollancz, 1940, 224 p. 6/.

A vigorous description and explanation of the fall of France by a former editor of the Vienna *Arbeiterzeitung*.

WHAT HAPPENED TO FRANCE. By Gordon Waterfield. London: Murray, 1940, 152 p. 5/.

Deftly drawn vignettes of politics and war in France during the last days of the Third Republic, by a Reuter's man with the French Armies.

THE LAST DAYS OF PARIS. By Alexander Werth. London: Hamish Hamilton, 1940, 274 p. 8/6.

The diary of the Paris correspondent of the *Manchester Guardian* during the Blitzkrieg, full of little sidelights on the state of French public opinion.

THE ROAD TO BORDEAUX. By C. Denis Freeman and Douglas Cooper. New York: Harper, 1941, 408 p. $2.75.

During the Blitzkrieg these two Englishmen joined the French Army and acted as ambulance drivers. This is the immensely gripping story of the vast human tragedy they saw as they retreated to Bordeaux.

FRANCE ÉTÉ 1940. By André Morize. New York: Éditions de la Maison Française, 1941, 230 p. $1.50.

A personal account of events in France during the summer of 1940, by a Harvard professor attached to the French Information Bureau.

THEY SPEAK FOR A NATION: LETTERS FROM FRANCE. Edited by Eve Curie, Philippe Barrès and Raoul de Roussy de Sales. New York: Doubleday, 1941, 238 p. $2.00.

Remarkably varied and vivid letters from French men and women of all social strata and in varying frames of mind. The strangling of the French press and the difficulties of censorship under which American newspapermen now operate in both "zones" of France give these spontaneous and often very courageous expressions of French opinion a direct political value.

THE R. A. F. IN ACTION. New York: Macmillan, 1941, 22 p. 100 photographs. $2.00.

A record of its activities during the first year of the war.

THIS IS LONDON. By Edward R. Murrow. New York: Simon and Schuster, 1941, 237 p. $2.00.

Selected passages from broadcasts sent from London (August 1939 — March 1941) where the author is head of the Columbia Broadcasting System foreign news staff.

THEY'LL NEVER QUIT. By Harvey Klemmer. New York: Wilfred Funk, 1941, 321 p. $2.50.

Illuminating and often amusing sidelights on how the British people are taking the war. The author was on Ambassador Kennedy's staff from 1938 to 1941.

LONDON FRONT. By F. Tennyson Jesse and H. M. Harwood. New York: Doubleday, 1941, 333 p. $2.50.

Human sidelights on Britain at war as revealed in letters to America.

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WAR LETTERS FROM BRITAIN. Edited by Diana Forbes-Robertson and Roger W. Straus, Jr. New York: Putnam, 1941, 239 p. $2.00.

Numerous letters from various parts and social strata of Britain illustrating the manner in which the British people have reacted to the successive phases of the war.

MANSION HOUSE OF LIBERTY. By Phyllis Bottome. Boston: Little, Brown, 1941, 264 p. $2.50.

Snapshots of England at war, by a well-known novelist.

WAR IN THE DESERT. By Raoul Aglion. New York: Holt, 1941, 317 p. $2.75.

This book bears evidence of having been prepared hastily but it contains some valuable information. The author was secretary of the French legation in Cairo, and in September 1940 he resigned to join the Free French movement. The most interesting part is the eyewitness account of the Allied conquest of Cyrenaica last winter.

## *The United States*

THE AMERICAN CENTURY. By Henry R. Luce. New York: Farrar, 1941, 89 p. $1.00.

A vigorous appeal to the American people to assume the responsibilities which history and geography have conferred upon them, by the publisher of *Time* and *Life* (in which this small book originally appeared as an article). Mr. Luce warns his countrymen that if they are to fulfill their destiny as a great nation they must fight Hitler now. Also included are comments on Mr. Luce's statement by Dorothy Thompson and others.

AGAINST THIS TORRENT. By Edward Mead Earle. Princeton: Princeton University Press, 1941, 73 p. $1.00.

With historical insight Professor Earle shows the hollowness of the isolationist argument.

THE UNITED STATES IN WORLD AFFAIRS, 1940. By Whitney H. Shepardson and William O. Scroggs. New York: Harper, 1941, 400 p. $3.50.

A concise yet very readable account of events in one of the most critical periods of world history, with special emphasis on the effect of Hitler's Blitzkrieg on public opinion and government policy in the United States. The authors depict the successive stages by which the European War was brought closer to this country and eventually put an end to American neutrality. They give adequate attention to such vital topics as the expanding program of national defense, the protection of the Western Hemisphere, wartime relations with Canada and the Far East, the economic effects of total war, and all-out aid for Britain. An appendix contains selected documents and a chronology of events. The volume takes its place with its predecessors in this series as a permanently valuable work of reference.

WHAT *MEIN KAMPF* MEANS TO AMERICA. By Francis Hackett. New York: Reynal, 1941, 288 p. $2.00.

A well-known writer and author of popular biographies reads Hitler's masterpiece of turgid prose and decides that all Americans, especially those who think their country has nothing to fear from Nazi Germany, would profit by doing likewise. A useful interpretation and guide.

THE TIME IS NOW! By Pierre van Paassen. New York: Dial Press., 1941, 80 p. $1.00.

A passionate plea to the American people to regain its soul and preserve its democratic heritage by joining in the struggle against Hitler with all its might. The author gives numerous practical steps that should, he believes, be taken at once — such as the occupation of Dakar.

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A LETTER TO THE AMERICAN PEOPLE. By Lawrence Hunt. New York: Putnam, 1941, 131 p. $1.50.

A hard-hitting attack on the appeasers and isolationists, who are described as the enemies, witting or unwitting, of American independence and democracy.

AMERICA IS WORTH FIGHTING FOR. By Ralph Ingersoll. Indianapolis: Bobbs-Merrill, 1941, 152 p. $1.50.

An over-zealous presentation of the case for American intervention, by the editor of the newspaper *PM*.

PAX AMERICANA. By James H. R. Cromwell. Chicago: Kroch, 1941, 94 p. $1.00.

An interventionist tract.

HELL-BENT FOR WAR. By General Hugh S. Johnson. Indianapolis: Bobbs-Merrill, 1941, 155 p. $1.50.

"Old Iron Pants" delivers a forthright blast against American participation in the war but omits to show how this country could fight Hitler to better advantage single-handed later rather than now before its potential allies have gone down to defeat.

USA 1940. ROOSEVELT-AMERIKA IM ENTSCHEIDUNGSJAHR. By P. Scheffer and Others. Berlin: Deutscher Verlag, 1940, 205 p. M. 2.80.

The changes wrought in the United States by the New Deal as seen by three Germans including the well-known editor and writer, Paul Scheffer, now American correspondent for the *Deutsche Allgemeine Zeitung*.

S. SH. A. By A. Lan. Moscow: Sotsekgiz, 1940, 187 p. 50 cents.

The history and politics of the United States, interpreted by a Soviet publicist.

PUBLIC POLICY AND THE GENERAL WELFARE. By Charles A. Beard. New York: Farrar, 1941, 176 p. $1.50.

Theoretical and practical considerations as they affect American government.

LANDSCAPE OF FREEDOM. By Mauritz Hallgren. New York: Howell, Soskin, 1941, 444 p. $3.50.

A somewhat journalistic history of civil liberties in America.

FREEDOM OF THE PRESS TODAY. Assembled by Harold L. Ickes. New York: Vanguard, 1941, 308 p. $2.50.

"A clinical examination by 28 specialists" — editors, publishers, columnists, etc. — representing various shades of opinion.

THE DEAD HAND OF BUREAUCRACY. By Lawrence Sullivan. Indianapolis: Bobbs-Merrill, 1940, 303 p. $2.50.

A sharp and documented attack on the manifold evils arising from the rapid expansion of the bureaucracy in American government.

INTERNATIONAL EXECUTIVE AGREEMENTS. By Wallace McClure. New York: Columbia University Press, 1941, 449 p. $4.75.

A documented examination of the law and practice by which treaties are made through executive agreement. The author holds that this form of treaty-making is more truly democratic than senatorial confirmation by a two-thirds majority.

DIE NEUTRALITÄTSPOLITIK DER VEREINIGTEN STAATEN VON AMERIKA, 1937-1939. By Kurt Keppler. Berlin: Duncker und Humblot, 1940, 211 p. M. 18.60.

A politico-juridical study.

AMERICA'S ECONOMIC STRENGTH. By C. J. Hitch. New York: Oxford University Press, 1941, 114 p. $1.00.

The fundamental facts of American resources and production set forth succinctly.

THE RECIPROCAL TRADE AGREEMENTS PROGRAM. By Grace Beckett. New York: Columbia University Press, 1941, 142 p. $2.00.

An analysis of aims, methods and effects.

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AMERICAN FARMERS IN THE WORLD CRISIS. By Carl T. Schmidt. New York: Oxford University Press, 1941, 345 p. $3.00.

A sound and readable treatise on the American agricultural problem — its history, its economics and the present administrative processes devised to cope with it.

WILL WE HAVE INFLATION? By Harry Scherman. New York: Simon and Schuster, 1941, 171 p. $1.00.

Most of this timely little book has previously appeared in print. The author's object is to explain to the layman what inflation will do to him and how he can protect himself against it.

DEFICIT SPENDING AND THE NATIONAL INCOME. By Henry Hilgard Villard. New York: Farrar, 1941, 429 p. $3.50.

A technical treatise based on American experience during the last decade. The author is assistant professor of economics at Amherst College.

THE BUGLE THAT WOKE AMERICA. By Hermann Hagedorn. New York: Day, 1940, 223 p. $2.00.

Mr. Hagedorn, after discovering that the fundamental issues facing the American people in 1941 are the same as those which it faced in 1914–1917, shows how Theodore Roosevelt's policies and pronouncements — especially on military affairs and international relations — are as apposite now as then. Unhappily, the author spoils much of his case by his prejudiced commentaries.

AMERICA IN ARMS. By John McAuley Palmer. New Haven: Yale University Press, 1941, 207 p. $2.00.

A retired Brigadier General in the United States Army, who was an assistant chief of staff under Pershing in France, reviews the military history of this country and proposes that we base our defense on a citizen army like that of Switzerland.

HAWAII: RESTLESS RAMPART. By Joseph Barber, Jr. Indianapolis: Bobbs-Merrill, 1941, 285 p. $2.75.

An American newspaperman takes the islands apart and sees what makes their political, economic and social life tick and what rôle they play in the larger scheme of Pacific strategy. There is much about the author's account of life and politics in the islands that will come as new to many American readers.

## *Western Europe*

IL CROLLO DELLA TERZA REPUBLICA. By Dante Maria Tuninetti. Osimo: Edizioni Barulli, 1940, 415 p. L. 25.

The author, who was Inspector of the Italian Fascist organizations in France during the last year and half of the Third Republic, has here recorded his impressions and his interpretation of its fall.

FRANCE DE CE MONDE. By Pierre de Lanux. New York: Éditions de la Maison Française, 1941, 157 p. $1.50.

Essays inspired by the fall of France, by a Frenchman who is no "collaborationist."

THE WAR CRISIS IN BERLIN JULY–AUGUST 1914. By Sir Horace Rumbold. London: Constable, 1940, 372 p. 18/.

Sir Horace was Counsellor at the British Embassy in Berlin in 1914. In writing this review of the fateful events leading to the First World War he drew on his own recollections as well as on some, but by no means all, of the pertinent documents.

SCAPA FLOW. By Vice-Admiral von Reuter. London: Hurst, 1940, 153 p. 6/.

An account of the events connected with the surrender and scuttling of the German fleet as related by the officer in command.

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THE DUAL STATE. By Ernst Fraenkel. New York: Oxford University Press, 1941, 248 p. $3.00.

Dr. Fraenkel, who practised law in pre-Hitler Germany, finds that the Nazi régime consists, in fact, of two distinct states — one "normative," the other "prerogative." In the first the administrative and judicial bureaucracy operate according to rules; in the second the Party, and more particularly the Gestapo, operate free of any ultimate legal restraint. The second, of course, possesses complete power arbitrarily to supersede the first at any or all points.

SKELETON OF JUSTICE. By Edith Roper and Clara Leiser. New York: Dutton, 1941, 346 p. $3.00.

This is an important and depressing book. After serving for three years as a court reporter in Germany, Mrs. Roper was allowed to leave for Switzerland — with copious notes and the blessing of the Propaganda Ministry — on the understanding that she was to "enlighten the world about the progress in German jurisprudence." This is exactly what she has done, now that she has escaped to the United States, but hardly in a manner calculated to please Dr. Goebbels.

THE SOCIAL POLICY OF NAZI GERMANY. By C. W. Guillebaud. New York: Macmillan, 1941, 134 p. $1.25.

An explanation of how the Nazi régime has enlisted at least the passive support of a large part of the German people.

THE EDUCATIONAL PHILOSOPHY OF NATIONAL SOCIALISM. By George Frederick Kneller. New Haven: Yale University Press, 1941, 299 p. $3.50.

A thoroughgoing scholarly analysis of Nazi theory and practice.

NAZI EUROPE AND WORLD TRADE. By Cleona Lewis and John C. McClelland. Washington: Brookings Institution, 1941, 200 p. $2.00.

An attempt to describe and evaluate statistically the rôle in world trade of a Nazi-dominated Europe (minus Russia).

HERE LIES GOEBBELS. By Vernon McKenzie. London: Michael Joseph, 1940, 319 p. 10/6.

A reliable description of the Nazis' unbelievably intricate and powerful organization for spreading propaganda into every corner of the world.

HITLER YOUTH. By Hans Siemsen. London: Drummond, 1940, 279 p. 7/6.

The anonymous story of a young Catholic German, now in exile, exemplifying the behavior of youth in Nazi Germany.

GERMANY TO-MORROW. By Otto Strasser. London: Cape, 1940, 254 p. 8/6.

A well-known dissident Nazi presents a rather amorphous picture of the Germany he would build on the ruins of the Nazi state and of the more coöperative policy that such a Germany would pursue towards a federal Europe.

ÖSTERREICH'S WEG. By Anton Rintelen. Munich: Bruckmann, 1940, 320 p. M. 7.50.

A partly "historical" and partly biographical work by one of the prominent Austrians who betrayed Dollfuss.

LA MARINA ITALIANA NELLA GRANDE GUERRA. VOLUME VII: VERSO LA VITTORIA CONTRO IL SOMMERGIBILE. Florence: Vallecchi, 1940, 809 p. L. 30.

The latest volume in the official Italian history.

RACCONTI POLITICI DELL'ALTRA PACE. By Roberto Cantalupo. Milan: Istituto per gli Studi di Politica Internazionale, 1940, 378 p. L. 20.

Cantalupo observed the Paris Peace Conference as correspondent of the ultra-nationalist *Idea Nazionale*. This book contains his reports and letters, many of which were suppressed at the time as being too critical of the Italian delegation.

LICENSED TO UNZ.ORG
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UN TENTATIVO DI FRONTE POPOLARE IN ITALIA (1921–1922). By F. G. Bianco. Rome: Edizioni Roma, 1940, 117 p. L. 10.

A Fascist interpretation of an episode in Italian postwar history.

I RAPPORTI ITALO-INGLESI. By Amedeo Giannini. Milan: Istituto per gli Studi di Politica Internazionale, 1940, 177 p.

A summary of Anglo-Italian relations from the Risorgimento to the present, by a leading Italian diplomatic historian.

WHAT MUSSOLINI DID TO US. By Paolo Treves. London: Gollancz, 1940, 305 p. 12/6.

Memoirs illustrating the fate of anti-Fascists in Italy.

LE TERRE NOSTRE RITORNANO. . . . MALTA, CORSICA, NIZZA. By Ezio Maria Gray. Novara: Istituto Geografico De Agostini, 1940, 108 p. L. 20.

A popular account of the *italianità* of Malta, Corsica and Nice.

BALBO. By Paolo Orano. Roma: Edizione Pinciana, 1940, 223 p. L. 21.

A eulogistic biography of the late Fascist quadrumvir.

LO STATO NUOVO NELLA SPAGNA DI FRANCO. By Arrigo Solmi. Milan: Istituto per gli Studi di Politica Internazionale, 1940, 263 p. L. 15.

The origins and shape of Franco's state apparatus.

## *Eastern Europe*

THE RUSSIAN ENIGMA. By Anton Ciliga. London: Routledge, 1940, 304 p. 7/6.

Another non-Russian Communist, this time a Jugoslav, returns from a long residence (1926–1935) in the Soviet Union to record his experiences and disillusionment.

U.R.S.S.: PRECEDENTI STORICI, ORGANIZZAZIONE INTERNA, POLITICA ESTRERA. By Lino Cappuccio. Milan: Istituto per gli Studi di Politica Internazionale, 1940, 456 p. L. 30.

A summary by a Fascist specialist on East European affairs.

LISTOVKI MOSKOVSKOY ORGANIZATSII BOLSHEVIKOV, 1914–1920. Moscow: Izdatelstvo Politicheskoy Literatury, 1940, 312 p. 75 cents.

A collection of broadsides issued by the Bolshevik organization in Moscow, 1914–1920.

FIELD-MARSHAL MANNERHEIM. By Tancred Borenius. London: Hutchinson, 1940, 303 p. 18/.

A sympathetic portrait by a fellow Finn.

PROBLEMS OF THE BALTIC. By W. F. Reddaway. New York: Macmillan, 1940, 120 p. $1.25.

A succinct summary of recent history.

ESTONIA. By J. Hampden Jackson. New York: Macmillan, 1941, 248 p. $2.25.

This readable review of Estonian history is a sequel to the author's "Finland."

THE STORY OF POLAND. By Bernard Newman. London: Hutchinson, 1940, 288 p. 12/6.

A competent review of Polish history and the "Polish Problem."

MASARYK. By Paul Selver. London: Michael Joseph, 1940, 326 p. 18/.

An authorized biography of the founder of the Czechoslovak Republic.

RUMÄNIEN UND UNGARN. By Constantin Sassu. Bucharest: Verlag Cugetarea P. Georgescu Delafras, 1940, 193 p.

The author opposes Hungary's claims on historical grounds.

COME SI É FATTO RE D'ALBANIA AHMED ZOG. By P. Camillo Libardi. Trent: Scuola Tipografica Arcivescovile Artigianelli, 1940, 94 p. L. 5.

A tale of cupidity and treachery on the part of Zog, especially vis-à-vis Italy, as related by a Franciscan monk, long resident in Albania.

LICENSED TO UNZ.ORG
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## *The British Commonwealth of Nations*

TWENTY YEARS' ARMISTICE — AND AFTER. By Sir Charles Petrie. London: Eyre, 1940, 302 p. 7/6.

The author is not one to hide his prejudices, and in this review of British foreign policy since 1918 he gives some of them considerable play. He for instance looks with a kindly eye on Mussolini's brand of Fascism.

DEMOCRACY'S BATTLE. By Francis Williams. New York: Viking, 1941, 324 p. $2.75.

In this trenchant book Mr. Williams develops the thesis set forth in his recent "War by Revolution" that to win the war Britain must become more truly democratic. To make this point he describes — in Part Two — the shortcomings and failures of the British social and political system.

DIE BRITISCHE SCHWÄCHE. By Paul Schmitz-Kairo. Leipzig: Goldmann, 1940, 208 p. M. 6.20.

Proof that the Empire is disintegrating.

SEA-POWER AND EMPIRE. By F. J. C. Hearnshaw. London: Harrap, 1940, 292 p. 10/6.

A treatise on the historical rôle of the British Navy.

BRITISH STRATEGY: MILITARY AND ECONOMIC. By Admiral Sir Herbert Richmond. New York: Macmillan, 1941, 157 p. $1.25.

A review of the British strategy in eight major wars since the days of Elizabeth, by the professor of naval history at Cambridge University.

I WAS WINSTON CHURCHILL'S PRIVATE SECRETARY. By Phyllis Moir. New York: Wilfred Funk, 1941, 221 p. $2.00.

Intimate but not indiscreet.

THE INTERNMENT OF ALIENS. By F. Lafitte. New York: Penguin, 1940, 256 p. 25 cents.

A description of Britain's far from happy experiences.

CONTROL OF ALIENS IN THE BRITISH COMMONWEALTH OF NATIONS. By C. F. Fraser. London: Hogarth, 1940, 304 p. 12/6.

A comparative legal study by a Canadian official, covering Britain, Eire and the four Dominions, with a chapter on "aliens in time of war."

CANADA IN PEACE AND WAR. Edited by Chester Martin. New York: Oxford University Press, 1941, 244 p. $1.75.

Essays on various aspects — political, economic and social — of Canada's growth as a nation since 1914. This book is published under the auspices of the Canadian Institute of International Affairs.

SOUTH AFRICAN NATIVE POLICY AND THE LIBERAL SPIRIT. By R. F. Alfred Hoernlé. New York: International Missionary Council, 1939, 190 p. $1.50.

Four lectures delivered at the University of Capetown by the head of the philosophy department at the University of the Witwatersrand. Dr. Hoernlé argues for "separation" as the best policy for South Africa to pursue towards its racial problem.

INDIAN INDIA. By N. Awab Zada. London: Quality Press, 1940, 178 p. 6/.

The country's political, social and economic problems seen from the Indian point of view.

THE INDIAN PRESS. By Margarita Barns. New York: Macmillan, 1940, 506 p. $6.00.

A history of the growth of public opinion in India.

INDIYA. By A. Pronin. Moscow: Sotsekgiz, 1940, 183 p.

A popular survey of present-day India.

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## *The Near East*

DAS DEUTSCH-TÜRKISCHE WAFFENBÜNDNIS IM WELTKRIEGE. By Carl Mühlmann. Leipzig: Koehler, 1940, 355 p. M. 18.

A detailed study based not only on published records but on the author's experience as a staff officer with the German Military Mission in Turkey.

MODERN TURKEY. By John Parker and Charles Smith. London: Routledge, 1940, 259 p. 12/6.

A survey largely devoted to the reconstruction of Turkey under Atatürk.

WELCHEN WEG GEHT DIE TÜRKEI? By F. Rössler. Dresden: Krueger, 1940, 142 p. M. 2.50.

A history of Turkey under Atatürk.

DIE KAUKASUSFRONT IM WELTKRIEG BIS ZUM FRIEDEN VON BREST. By Felix Guse. Leipzig: Koehler, 1940, 128 p. M. 4.

A defense of Enver Pasha's strategy, by the chief of staff of the Third Turkish Army.

GERTRUDE BELL. By Ronald Bodley and Lorna Hearst. New York: Macmillan, 1940, 260 p. $2.50.

A biography, both personal and political, of the remarkable Englishwoman who played such a large rôle in Arab politics, particularly the creation of modern Iraq.

DOCTOR IN ARABIA. By Paul W. Harrison. New York: Day, 1940, 303 p. $3.00.

This account by an American medical missionary of his 29 years of service in the British-protected sultanate of Oman is particularly important because very little has ever been written on that inaccessible country.

## *Africa*

THE UNFINISHED WAR. By Eric Moore Ritchie. London: Eyre, 1940, 349 p. 12/6.

Germany must not gain a foothold in Africa if the British Empire is to survive.

IL GOVERNO DELLE GENTI DI COLORE. By Raffaele di Lauro. Milan: Bocca, 1940, 262 p. L. 30.

A systematic treatise on colonial administration by an Italian official with many years of experience in East Africa.

TUNIS: EINST, HEUTE UND MORGEN. By Hans Otto Glahn. Berlin: Siegismund, 1940, 255 p. M. 8.

A convenient survey of an old problem.

A DATE IN THE DESERT. By G. L. Steer. London: Hodder, 1939, 255 p. 15/.

A trained observer, after investigating Tunis and Libya on the eve of the war, compares French and Italian colonial policies.

FOURTH SHORE: ITALY'S MASS COLONIZATION OF LIBYA. By Martin Moore. London: Routledge, 1940, 233 p. 12/6.

A sympathetic account of the wholesale colonization of Libya by Italian peasants carried out just before the war.

BRITAIN AND NORTH-EAST AFRICA. By Major E. W. Polson Newman. London: Hutchinson, 1940, 286 p. 10/6.

The author is well known for his various writings presenting the Fascist case, particularly in Africa, in a favorable light. Written just before Italy joined in the war, this book makes strange reading today.

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INDEPENDENT EGYPT. By Amine Youssef Bey. London: Murray, 1940, 272 p. 15/.

The autobiography of an Egyptian politician identified with the Nationalists until the middle twenties and later Minister to the United States.

L'HARAR, TERRITORIO DI PACE E DI CIVILTÀ. By Fernando Santagata. Milan: Garzanti, 1940, 362 p. L. 16.

A description of the natural resources of the eastern, and Moslem, part of the Abyssinian highland, and a discussion of Italian colonial policy there.

## *The Far East*

WAR AND DIPLOMACY IN EASTERN ASIA. By Claude A. Buss. New York: Macmillan, 1941, 570 p. $5.00.

A comprehensive, factual survey of recent history in the Orient and of the Far Eastern policies of the Great Powers. The author, formerly an official in the American Foreign Service and in the Philippine Islands, is now professor of international relations at the University of Southern California.

THE ARMED FORCES OF THE PACIFIC. By Captain W. D. Puleston. New Haven: Yale University Press, 1941, 273 p. $2.75.

The author was formerly head of the Intelligence Service of the United States Navy and is a leading authority on the teachings of Admiral Mahan. In this timely book he analyzes the strategic situation in the Pacific with special regard to the United States and Japan. He is very definitely in favor of the United States pursuing an offensive policy as the best method for keeping the peace. If, however, war should come, Captain Puleston believes the United States can defeat Japan.

THE FIGHT FOR THE PACIFIC. By Mark J. Gayn. New York: Morrow, 1941, 378 p. $3.00.

A newspaperman, who has known the Orient intimately since childhood, views the present political and strategic situation in the Far East and finds it unfavorable to the United States.

I. P. R. INQUIRY SERIES. By Various Authors. New York: Institute of Pacific Relations, 1941, 3 v.

Further titles in a valuable series: "Economic Shanghai: Hostage to Politics," by Robert W. Barnett (210 p. $2.00); "Legal Problems in the Far Eastern Conflict," by Quincy Wright and Others (211 p. $2.00); "Italy's Interests and Policies in the Far East," by Frank M. Tamagna (91 p. $1.00). Previous titles were listed in the April 1940 and April 1941 issues of Foreign Affairs.

OURSELVES AND THE PACIFIC. Edited by R. M. Crawford. New York: Stechert, 1941, 252 p. $1.15.

Essays on various historical and political problems of the countries fronting on the Pacific Ocean, by a professor of history in the University of Melbourne.

WHERE JAPAN STANDS. By Yakichiro Suma. South Pasadena: Perkins, 1940, 237 p. $2.00.

Addresses on the Sino-Japanese conflict delivered in America during 1937, 1938 and 1939 by the director of the information bureau of the Japanese Foreign Office who at that time was counsellor at the Japanese Embassy in Washington.

JAPAN'S STRATEGISCHE STELLUNG. By H. Lufft. Berlin: Junker und Dünnhaupt, 1940, 300 p. M. 10.

Economic and political as well as military.

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BEHIND THE RISING SUN. By James R. Young. New York: Doubleday, 1941, 334 p. $3.00.

Mr. Young spent 13 years in Japan as newspaperman and foreign correspondent, topping off his stay there with two months in a Japanese prison. With rare good humor he recounts his experiences.

JAPAN FROM WITHIN. By Masanori Oshima. South Pasadena: Perkins, 1940, 196 p. $2.00.

Principally about the moral and mental characteristics of the Japanese people.

IL MAN CHOU KUO: GEOGRAFIA, STORIA, ECONOMIA. By Istituto Italiano per il Medio ed Estremo Oriente. Milan: Edizioni Principato, 1940, 169 p. L. 14.

A coöperative work by four Italian writers.

THE SOONG SISTERS. By Emily Hahn. New York: Doubleday, 1941, 349 p. $3.00.

A portrait of the remarkable Soong family and of the extraordinarily important rôle it has played in recent Chinese history.

DAWN WATCH IN CHINA. By Joy Homer. Boston: Houghton, 1941, 340 p. $3.00.

The exciting experiences of a young American journalist who spent 14 months travelling over much of China — both free and occupied — on behalf of the United American Relief Boards.

REISE AN DER GELBEN FRONT. By W. Schenke. Oldenburg: Stalling, 1940, 336 p. M. 6.50.

What a German correspondent saw in China during the period from the fall of Nanking to the capture of Hankow.

THE FIRE OX AND OTHER YEARS. By Suydam Cutting. New York: Scribner, 1940, 393 p. $5.00.

An exciting account of explorations in such out-of-the-way, but far from unimportant, places as Turkestan, Tibet, Nepal, Assam, the Andaman and Galapagos Islands. Profusely illustrated.

CROSS WINDS OF EMPIRE. By Woodbern E. Remington. New York: Day, 1941, 279 p. $3.00.

An American officer looks at the peoples of Malaysia and the Philippines and speculates on their fate in a chaotic world.

THE SOUTH SEAS IN THE MODERN WORLD. By Felix M. Keesing. New York: Day, 1941, 391 p. $3.50.

A compendium of important and hitherto largely inaccessible information concerning the economic, social and political life of the islands of the Pacific. The author, professor of anthropology at the University of Hawaii, prepared this volume under the auspices of that institution and of the Institute of Pacific Relations.

## *Latin America*

DEFENSE OF THE AMERICAS. By André Chéradame. New York: Doubleday, 1941, 304 p. $3.00.

For forty years Chéradame has been exposing Germany's aim of world conquest. In this work he brings the story up to date, showing how Pan-Germanism has been taken over by the Nazis as an instrument for obtaining easy victories, and how the Western Hemisphere is already being "softened up" for Nazi invasion.

AMÉRICA, LEVÁNTATE! By V. Valladares and Belisario Ruiz. Mexico: Ediciones de "El Insurgente," 1940, 352 p. $2.50.

The authors want the American peoples to throw off the influence of Spanish ways and become truly independent.

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LATIN AMERICAN TRADE. By Frank Henius. New York: Harper, 1941, 143 p. $2.00.

Practical advice by an experienced foreign commerce consultant on how the United States can increase its trade with the rest of the hemisphere.

THE INTERNATIONAL CONFERENCES OF AMERICAN STATES. FIRST SUPPLEMENT 1933–1940. Washington: Carnegie Endowment, 1940, 558 p. $3.50.

"Conventions, recommendations, resolutions and motions adopted by the seventh and eighth International Conferences of the American States, the Inter-American Conference for the Maintenance of Peace, and the first and second meetings of the Ministers of Foreign Affairs of the American Republics for Consultation, at Panama and Havana, together with documents relating to the organization of the conferences and information concerning technical Pan American Conferences, Commissions and other bodies."

BOUNDARIES, POSSESSIONS, AND CONFLICTS IN CENTRAL AND NORTH AMERICA AND THE CARIBBEAN. By Gordon Ireland. Cambridge: Harvard University Press, 1941, 432 p. $4.50.

A scholarly juridico-historical treatise on boundary disputes and their adjustments, the present status of island possessions, and existing treaty relations.

EL PROBLEMA DE LA REPRESENTACIÓN POLÍTICA Y LA SOLUCIÓN CORPORATIVA. By Hector Gonzales Uribe. Mexico: Ediciones Jus, 1940, 190 p.

A sympathetic survey of the theory and practice of the corporative state, and a proposal that it be applied to Mexico.

EL NEGRO: HAITI — ESTADOS UNIDOS — PUERTO RICO. By José Colombán Rosario and Justina Carrión. San Juan: Negociado de Materiales, Imprenta y Transporte, 1940, 174 p.

A comparative study of Negro social problems.

NEIGHBORS TO THE SOUTH. By Delia Goetz. New York: Harcourt, 1941, 302 p. $2.50.

An illustrated travelogue covering twelve countries.

O ESTADO NACIONAL, SUA ESTRUCTURA, SEU CONTEUDO IDEOLOGICO. By Francisco Campos. Rio de Janeiro: Olympio, 1940, 257 p.

An exposition of the principles behind the "Novo Estado" in Brazil and a denunciation of democratic processes.

A EXPERIÉNCIA ROOSEVELT E A REVOLUÇÃO BRASILEIRA. By Danton Jobim. Rio de Janeiro: Civilização Brasileira, 1940, 171 p.

A comparison between the New Deal in the United States and the Vargas régime in Brazil, not too complimentary to the former.

FONTES DA CULTURA BRASILEIRA. By Bezerra de Freitas. Porto Alegre: Livraria do Globo, 1940, 191 p.

Essays on the basis of Brazilian nationalism.

NAZIS EN EL URUGUAY. By Hugo Fernández Artucio. Montevideo: Talleres Gráficos, 1940, 167 p.

A Uruguayan anti-Fascist publicist exposes the activities of the Nazis in his country.

LA DEMOCRACIA ARGENTINA. By Reynaldo A. Pastor. Buenos Aires: Claridad, 1940, 393 p. Pesos 5.

A critique of the democratic process and tradition in Argentina.

CHILE. By Earl Parker Hanson. New York: Reynal, 1941, 201 p. $1.75.

A readable, well-informed, friendly description of the Chilean people, their country and their achievements.

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# SOURCE MATERIAL

## *By Ruth Savord*

## I. DOCUMENTS

Documents may be procured from the following: *United States:* Gov't Printing Office, Superintendent of Documents, Washington, D. C. *Great Britain:* British Library of Information, 620 Fifth Avenue, New York, *League of Nations, Perm. Court of Int. Justice, Int. Institute of Intellectual Coöperation:* Columbia University Press, Int. Documents Service, 2960 Broadway, New York. *Int. Labor Office:* 734 Jackson Pl., Washington, D. C. Washington imprints are Government Printing Office and London imprints are His Majesty's Stationery Office, unless otherwise noted.

### Aeronautics

EXCHANGE of notes (November 29 and December 2, 1940) supplementing the arrangement of August 18, 1939, between Canada and the United States of America relating to air transport services. In force December 3, 1940. Ottawa, 1941. 5 p. (Treaty Series, 1940, No. 13.) 25¢.

### Agriculture

CORN and wheat marketing quotas under the Agricultural Adjustment Act of 1938, as amended. [Approved May 26, 1941.] Washington, 1941. 3 p. (Public law 74, 77th Cong. — S. J. Res. 60.) 5¢

WHEAT and wheat flour; report to the President, May 1941. Washington, Tariff Commission, 1941. 52 p. Mimeographed.

### Commerce

ITALIAN commercial policy and foreign trade, 1922–1940. Washington, 1941. 284 p. (U. S. Tariff Commission. Report No. 142, 2d series.) 30¢.

### Exchange Control

EXCHANGE of notes (June 18, 1940) constituting an agreement regarding exemptions from exchange control measures between Canada and the United States of America. In force June 18, 1940. Ottawa, 1941. 5 p. (Treaty Series, 1940, No. 5.) 25¢.

THE PROCLAIMED list of certain blocked nationals; promulgated pursuant to the proclamation of July 17, 1941. [Washington, Department of State, 1941.] 56 p.

——. Supplement No. 1, July 28, 1941. 4 p.

### Great Britain

AN ANALYSIS of the sources of war finance and an estimate of the national income and expenditure in 1938 and 1940. London, 1941. 16 p. (Cmd. 6261.) 3d.

AGREEMENT between H. M. Government in the United Kingdom and the Turkish Government respecting trade and payments. London, February 3, 1940. London, 1941. 23 p. (Treaty Series No. 7 (1941). Cmd. 6269.) 4d.

EXCHANGE of letters between the Secretary of State for Foreign Affairs and General de Gaulle concerning commercial and economic relations between the United Kingdom and French Equatorial Africa. . . . London, May 20, 1941. London, 1941. 7 p. (France No. 2 (1941). Cmd. 6281.) 2d.

REPORT [S] from the Select Committee on National Expenditure. London, 1940–41. 1–19. Pages and prices vary.

### Hemisphere Defense

DEFENSE of Greenland. Agreement between the United States of America and Denmark. Signed April 9, 1941. And exchange of notes. Washington, 1941. 9 p. (Executive Agreement Series 204.) 5¢.

PROVISIONAL administration of European colonies and possessions in the Americas. Act of Habana contained in the final act of the second meeting of Ministers of Foreign Affairs of the American Republics. Signed at Habana July 30, 1940. Washington, 1941. 27 p. (Executive Agreement Series 199.) 5¢.

SECOND meeting of the Ministers of Foreign Affairs of the American Republics, Habana, July 21–30, 1940. Report of the Secretary of State. Washington, 1941. 108 p. 15¢.

TRANSIT of military aircraft. Agreement between the United States of America and Mexico. Signed at Washington April 1, 1941. . . . Proclaimed by the President of the United States April 28, 1941. Washington, 1941. 6 p. (Treaty Series 971.) 5¢.

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### India

INDIA at war: a record and a review, 1939–1940, by Sir George Dunbar. London, 1940. 32 p. 2/6.

REPORT on the work of the India Government Trade Commissioner, New York, during 1939–1940, by Sardar H. S. Malik. [New York, 1941.] 119 p.

### Inter-American Bank

INTER-AMERICAN bank. Hearings before a subcommittee of the Committee on Foreign Relations, Senate, 77th Cong., 1st Sess., on Executive K (76th Cong., 3d Sess.) . . . May 5 and 6, 1941. Washington, 1941. 66 p.

### Inter-American Highway

REPORT of the Alaskan International Highway Commission to the President. April 1940. Washington, 1940. 33 p. (76th Cong., 3d Sess. — House Doc. No. 711.) $1.00.

### Labor

AGREEMENT regarding workmen's compensation for employees in Canada of the United Kingdom Government between Canada and the United Kingdom, signed at Ottawa, October 8, 1940. In force October 8, 1940. Ottawa, 1941. 4 p. (Treaty Series, 1940, No. 10.) 25¢.

THE I.L.O. at work. May 1941. Montreal, International Labour Office, 1941. 20 p.

LABOUR supply and national defense. Montreal, International Labour Office, 1941. 245 p. (Studies and reports; series C (Employment and unemployment) No. 23.)

### Latin America

ANUARIO del comercio exterior del Perú 1940. Lima, Departamento de Estadística General de Aduanas, 1941. 348 p. $5.00.

EL COMERCIO exterior Argentino en 1940 y 1939 y estadísticas económicas retrospectivas. Buenos Aires, Dirección General de Estadística, 1941. 296 p. 2m$n.

ESTADÍSTICA mercantil y maritima; semestre de Julio a Diciembre de 1939. Caracas, Estados Unidos de Venezuela, Dirección General de Estadística, 1941. 425 p. Bs. 5.

MEMORIA de la Dirección General de Estadística, 1938. Asunción, Imprenta nacional [1941]. 246 p.

THE PROGRAM of the Department of State in cultural relations. Washington, 1941. 16 p. (Inter-American Series 19.) 5¢.

RELATÓRIO do Banco do Brasil S. A. [1941.] Rio de Janeiro, 1941. 205 p.

### Military and Naval Missions

MILITARY and military aviation mission. Agreement between the United States of America and Brazil. Signed January 17, 1941. Effective January 17, 1941. Washington, 1941. 11 p. (Executive Agreement Series 202.) 5¢.

NAVAL mission. Additional article to the agreement of December 12, 1940 between the United States of America and Ecuador. Signed April 30, 1941. 3 p. (Executive Agreement Series 206.) 5¢.

NAVAL mission. Agreement between the United States of America and Venezuela. Signed March 24, 1941. Effective March 24, 1941. Washington, 1941. 11 p. (Executive Agreement Series 203.) 5¢.

### Radio

RADIOCOMMUNICATIONS. Arrangement between the United States of America and other American Republics and annex. Signed at Habana December 13, 1937. Washington, 1941. 109 p. (Executive Agreement Series 200.) 15¢.

### St. Lawrence Waterway

THE ST. LAWRENCE survey. Washington, 1941.

*1.* History of the St. Lawrence project. 39 p. 15¢. *2.* Shipping services on the St. Lawrence river. 40 p. 25¢. *4.* The effect of the St. Lawrence seaway upon existing harbors. 71 p. 15¢. *5.* The St. Lawrence seaway and future transportation requirements. 83 p. 15¢. *6.* The economic effects of the St. Lawrence power project. 126 p.

### Second World War

THE AIR offensive against Germany. London, 1941. 28 p.

ITALY'S aggression against Greece. Athens, Royal Ministry for Foreign Affairs, 1940. 139 p.

NOTE adressée en date du 3 mai 1941 aux gouvernements des puissances alliées et neutres au sujet de l'occupation allemande et soviétique de la Pologne. London, République de Pologne, Ministère des Affaires Étrangères, 1941. 177 p.

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SECRET German documents seized during the raid on the Lofoten Islands on the 4th March, 1941. London, 1941. 28 p. (Norway No. 1 (1941). Cmd. 6270.) 4d.

SUMMARY of the Arandora Star inquiry conducted by the Rt. Hon. Lord Snell. London, 1940. 4 p. (Cmd. 6238.) 1d.

TWO years of German oppression in Czechoslovakia. [London] Czechoslovak Ministry of Foreign Affairs, Department of Information, 1941. 151 p.

### Soviet Union

ECONOMIC results of the U.S.S.R. in 1940 and the plan of national economic development for 1941; report delivered by [N. Voznesensky] at the 18th All-Union Conference of the C.P.S.U. (B.), February 18, 1941. Moscow, Foreign Languages Publishing House, 1941. 39 p. 25kop.

### Straits Question

RAPPORT annuel sur le mouvement des navires à travers les Détroits et des aéronefs civils entre la Méditerranée et la Mer Noire. 4. année, janvier 1941. Ankara, Ministère des Affaires Étrangères, 1941. 32 p.

### Strategic and Critical Materials

INVESTIGATION of the national defense program; report on aluminum investigation [by] the Special Committee to Investigate the National Defense Program. Report pursuant to S. Res. 71, 77th Cong. June 26, 1941. Washington, 1941. 7 p. (S. Rept. No. 480, 77th Cong., 1st Sess.)

STRATEGIC and critical materials; interim report [by] the Committee on Military Affairs. Report pursuant to H. Res. 162, 77th Cong. July 21, 1941. Washington, 1941. 42 p. (H. Rept. No. 982, 77th Cong., 1st Sess.)

"Faddis report."

### United States

STATISTICAL abstract of the United States, 1940. Washington, 1941. 963 p. $1.50.

TAXATION, recovery, and defense [by H. Dewey Anderson]. Washington, 1941. 374 p. (Temporary National Economic Committee. Monograph No. 20.)

ADVANCEMENT of peace; treaty between the United States of America and the Union of South Africa amending in their application to the Union of South Africa certain provisions of the treaty for the advancement of peace between the United States of America and Great Britain, signed September 15, 1914. Signed at Washington, April 2, 1940. . . . Proclaimed by the President of the United States March 18, 1941. Washington, 1941. 3 p. (Treaty Series 966.) 5¢.

CONCILIATION. Treaty between the United States of America and Liberia. Signed at Monrovia August 21, 1939. . . . Proclaimed by the President of the United States April 4, 1941. Washington, 1941. 3 p. (Treaty Series 968.) 5¢.

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